

City of Jacksonville
North Carolina

**Comprehensive Annual
Financial Report**

For The Fiscal Year Ended June 30, 2003

Prepared By
FINANCE DEPARTMENT

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**City of Jacksonville, North Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2003**

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LETTER OF TRANSMITTAL

Honorable Mayor and Members of the City Council
Jacksonville, North Carolina

October 31, 2003

We are pleased to present the comprehensive annual financial report of City of Jacksonville for the fiscal year ended June 30, 2003. The basic financial statements contained herein have been audited by the independent certified public accounting firm of McGladrey & Pullen, LLP, and their unqualified opinion is included in the financial section. This report has been prepared by the City, which is responsible for both the accuracy of the data and the completeness and fairness of the presentation including all disclosures. We believe the data is accurate in all material respects and is shown in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and compliance. The introductory section includes this transmittal letter, the government's organizational chart, and a list of principal officials. The financial section includes the basic financial statements, the combining and individual fund financial statements and schedules, Management's Discussion and Analysis, and the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, much of which is presented on a multi-year basis. Finally, the compliance section presents reports and schedules required by the Federal and State Single Audit Acts.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments*. Information related to this single audit, including the schedule of Federal and State financial assistance, findings and recommendations, and auditors' reports on the internal control structure and compliance, are included in the compliance section of this report.

This report includes all funds of the City. The City provides a full range of services. These services include police and fire protection, sanitation, the construction and maintenance of streets, community development, planning and zoning, and parks and recreation. In addition to general governmental activities, the City owns and operates a water and sewer system and separately accounts for solid waste disposal costs; therefore, these latter activities are included in the reporting entity.

ECONOMIC CONDITION AND OUTLOOK

Jacksonville is located along the New River in Onslow County, which is in the southeastern part of the State. Jacksonville, the county seat, is home of the Marine Corps Base, Camp Lejeune, and the Marine Corps New River Air Station. The City is less than an hour away from two major seaports (Wilmington and Morehead City) where large quantities of raw and finished products are exported and imported. Flight service is provided through Albert J. Ellis Airport. The City is easily accessed by US 258, I-40, NC 24 and US 17, which runs north and south along the Atlantic coast.

The community currently has a 6.1 percent unemployment rate as compared to a statewide rate of 6.6 percent and a national average of 6.4 percent. The City annexed Camp Lejeune in 1990, resulting in an increased City population of approximately 46,435; however, in July 2002, the NC Office of State Planning adjusted our population to 68,357, making Jacksonville the eleventh largest City in North Carolina.

The City is governed by the Council-Manager form of government and has been since 1953. The City Council consists of a mayor and six council members. Two councilmen and the mayor are elected-at-large and four councilmen are elected by district for two-year terms. The Mayor and Council make appointments to various boards and commissions. Council appoints the City Manager and City Attorney. The City Manager serves as Chief Executive Officer and is responsible for enforcement of laws and ordinances, delivery of services, planning and budgetary management.

The City has been fortunate to continue experiencing conservative expansion. Overall the value of new construction was \$60.6 million. The construction of department stores, apartments, residential developments and office complexes is consistent with construction in previous years.

All indications are that economic growth will continue to increase. While having a positive impact, this growth also presents significant challenges for the City. If the present high level of services is to be maintained, the City, in the future, will need to explore new methods of obtaining financial resources.

MAJOR INITIATIVES

FOR THE YEAR. In addition to day-to-day operations and on-going major projects, the City faced some new challenges and initiated several major programs.

- **Onslow Water and Sewer Authority (ONWASA)** – The consultant retained in 2001 by the City in conjunction with Onslow County and its other municipalities continues to research all avenues for the expansion of ONWASA.
- **Country Club/Sunset Acres Sewer System** - The Sunset Acres portion of this project was completed in 2001 and those residents are receiving City sewer service. In the Country Club Acres subdivision, the “Trunk Sewer” phase of the project was completed in December 2002 and work began on the Wastewater Collection Facilities portion in May 2003. The Collection Facilities portion involves the installation of approximately 6 miles of sewer collector lines serving over 300 properties and the complete reconstruction of the roadways serving the area. Construction is scheduled for completion in July 2004.

- **Forestry Management Plan** – The Forestry Management Plan for the City's Land Treatment Site was completed in the fall of 2002. This plan is a 10-year plan that provides proper planning of timber management that encourages not only good returns on the City's investment in land and timber, but also enhances the primary purpose of the site and improves wildlife habitat, water quality and aesthetics. The City's forestry consultant has begun the implementation of the plan and the first of many future timber sales has begun.
- **AMR System** – The metering division has continued the installation of new Automatic Meter Read meters. We have installed approximately 1500 meters in various areas of the City. Of those 1500 meters, 500 are actually being read at this time as part of the City's pilot program. We expect that when the program is in full force, the City will be able to cut the reading time of its 14,000+ meters almost in half.
- **Public Services/Fleet Maintenance Complex** – The new public services/fleet maintenance garage complex is under construction. The project will take approximately one year to complete.
- **Street Rehabilitation** – The City resurfaced 3.5 miles of streets with Powell Bill funds this year.
- **Applicant Tracking Program** – Using the City's e-government infrastructure, the Human Resources Department implemented the Applicant Tracking Program. Applicant Tracking will allow citizens to access and apply for available City positions online. By assigning themselves a user ID and password, their information can be stored for use with future positions they may want to apply for. This tool will allow the Human Resources Department and City management more efficient and easier access to recruitment and hiring information, EEO and other applicant demographic reports, and will expedite the application process.
- **Performance Appraisal System** – The City implemented its automated Performance Appraisal System. PAS is the new method of performing employee evaluations. It is based on a networked system accessible to all employees, and for the first time makes the evaluations uniform and consistent for all employees. Employees have access to their own and subordinate performance observations and current appraisals at any point during the appraisal year. All employees will be transitioned to the new system during the coming year.
- **Workers' Compensation and Safety Costs** – Under the leadership of the Human Resources Department's Risk Management function, we have continued to reduce the Workers' Compensation and Safety costs. Significant results include a reduction of 15 percentage points in the City's experience modifier.
- **Public Transportation** – The City of Jacksonville in partnership with the NCDOT and OUTS, the local rural transportation service provider, currently operates a one-directional fixed-route transit service called the *LOOP*. This limited service began operation in July 2001 as a demonstration service and utilizes one (1) van owned and operated by OUTS. During FY 2003, ridership continued to increase. A Transit Study was completed in May 2003 that identified the level of need for public transportation in Jacksonville, examined the performance of the *LOOP* in meeting the apparent need for service, and evaluated various service alternatives for the

City. Based on the recommendations of the Study, City Council voted to continue service for FY 2004 and proceed with the completion of an Implementation Plan for an expanded fixed-route service. The Implementation Plan will consist of detailed service schedules and routes, a defined management structure that ensures consistent service reliability, marketing and public information systems, and the development of a start-up or transition plan. The City plans to implement the improved service in FY 2005.

- **Citywide Landscape Master Plan** – Landscaping at the five identified City Gateways is complete. In September we will solicit bids for two additional gates, which are located on Chaney Avenue and on Old Bridge Street. The gateway for New Bridge Street is pending environmental clearance and will be landscaped when approved for construction. The work consists of the planting of low maintenance trees, shrubs and flowers, and establishment of an irrigation system at each location.
- **Richard Ray All-America Park** – The City held the park dedication on July 11, 2003. The Richard Ray All-America Park is located on four acres of land at the Jacksonville Commons Recreation Complex. Funding has been through generous donation from citizens and businesses in memory of Richard Ray, North Carolina Department of Environment and Natural Resources (PARTF Grant), and the City. The major feature of the park will be the All-America Gardens. This will be a depiction of the United States developed into eight regions. Each region will have plants native to each state or a similar plant that will grow in this area. Signs will be installed representing the States in each region which will list the state capitals, state birds, state trees and state flowers. The Park will have a connecting system of sidewalks, bridges, and pathways that will allow citizens the opportunity to traverse the park at their own pace, giving them an opportunity to play, learn, and enjoy "the great outdoors." Other features proposed for the park will be picnic shelters, park benches, restrooms, playground equipment, meadow area, other garden/landscaping areas, security lighting and parking areas.
- **International Building Codes** — The enforcement of the International Building Codes (IBC) throughout North Carolina began on January 1, 2003. In preparation, the Building Inspection Division has been attending educational seminars for the eleven volumes of this code. In addition, the Division is working closely with Coastal Carolina Community College to sponsor several code-related workshops for contractors in our area.
- **Click-2-Gov** — The Building Inspection Division and ITS Department hope to roll out "Click-2-Gov" in Fall 2003. Click-2-Gov will enable contractors to check the status of their building permit applications online twenty-four hours a day, seven days a week.
- **Code Enforcement** – For FY 2003, Code Enforcement received approximately 190 nuisance complaints that prompted 137 letters. Thirty-nine nuisance complaints were regarding junk and/or nuisance vehicles and 28 of those were abated. Of the 190 nuisance complaints, 86 were abated.
- **Minimum Housing** — Minimum housing began in July 2002 with 29 active minimum housing cases. Eighty-one complaints were received between July 1 and December 31, 2002. There were a total of 117 complaints/cases as of December

31, 2002. Of the 117 complaints/cases, 83 were resolved and seven were turned over to Community Development Division for demolition. There were 27 active cases as of January 1, 2003—24 residential dwellings and 3 commercial structures.

- **Community Development** – HOME funds were used to assist ten families achieve the “American Dream” of homeownership. A total of \$147,407 in assistance was expended during the 2002-2003 fiscal year.
- **Reconstruction and Rehabilitation** – Eight residential projects were completed. Community Development Division continues to utilize the CREATE program through our partnership with Coastal Carolina Community College and currently has one project underway. Through this partnership, the City provides the material to construct the homes and the students provide the labor. These projects not only benefit the students by providing hands-on experience, but also the citizens of Jacksonville by providing affordable housing.
- **Demolition** – In cooperation with the Building Inspections Division, the Community Development Division eliminated 17 dilapidated structures throughout the city. The City expended \$43,081 in CDBG Grant funds and \$49,440 in General Fund revenues in this effort.
- **Amortization of Non-conforming Adult Business Establishments** – On March 17, 1998, the Jacksonville City Council adopted an ordinance regulating adult business establishments within the Jacksonville ETJ. The ordinance requires nonconforming adult establishments to comply with the adult business regulations by March 17, 2003. At the time of adoption, nine adult establishments were in operation, all of which were nonconforming. Since that time, five establishments have gone out of business and only four continue to operate. Of the four establishments currently in operation, only one is nonconforming. Staff continues to work with the property owner to bring the remaining nonconforming establishment into compliance.
- **Amortization of Painted-on Building Signs** – The five-year amortization period for the removal of all painted on building signs expired on March 17, 2003. Upon adoption of this section of the Sign Ordinance, 76 establishments were identified as having painted-on signage. All 76 establishments have come into compliance.
- **Transportation Planning** – The Development Services Department continues to receive Section 104(f) planning funds from the NC Department of Transportation. This funding is used to carry out the continuing, cooperative, and comprehensive (3-C) transportation planning process within the Jacksonville Urban Area. The Section 104(f) grant is matched on an 80-20 basis (80% federal match, 20% local funds). The amount of Section 104(f) planning funds budgeted by the Jacksonville Metropolitan Planning Organization (MPO) for the upcoming fiscal year is \$323,250 (\$64,650 local share). Also, the Department continues to receive Section 5303 funds from the NC DOT, which is received by the Federal Transit Administration. The allocated FY 2002-03 funding for the Jacksonville MPO is \$25,000 (\$2,500 local share). The Section 5303 grant is matched on an 80-10-10 basis (80% federal match, 10% state, and 10% local funds).
- **Sturgeon City and Wilson Bay Initiatives** – Sturgeon City and Wilson Bay Initiatives – The City Council boldly moved to fund a Water Quality Improvement

Project as an outgrowth of the Wilson Bay Initiatives after grant funding for that project ended. The funding provides for two full time persons to also work on stormwater mitigation issues.

The projects together continue to bring attention and funding to the effort to clean up Wilson Bay and the New River and to provide image development and enhancement for our community. The Wilson Bay Initiatives continue to provide improved water quality with the assistance of three new aerator devices placed in the bay, funded by the Smithfield Environmental Enhancement Grant. The Grant is also funding a full-time educator who is employed through the Onslow School system in partnership with the City. The Sturgeon City Education program continues to grow with two new Institutes added this year--Advanced Marine Sciences and Media Studies. The Institutes provide environmental and community awareness, increased pride for our youth and also offer a track for teacher certification.

In addition to realizing the effects of the Smithfield Grant this year, the Sturgeon City and Wilson Bay Projects have now garnered a total of \$5.8 million in offers, grants and program services. This includes an offer of \$3.2 million made from the US Army Corps of Engineers for additional bioremediation efforts in Wilson Bay, pending acceptance from the Jacksonville City Council.

At the Sturgeon City site, work began on the Sturgeon City Municipal Park, which will have integrated bioswales, adaptive reuse of facilities, a butterfly garden, amphitheater and other amenities that will help the public have access to 1600 feet of previously restricted shoreline. The City's contribution for the park amounts to \$232,000 and with grants and gifts, the park's construction will be valued at about \$955,000.

- **Jacksonville Youth Council** – The Jacksonville Youth Council continues as a premier effort in the City's effort to instill pride and encourage youth to return to our community after education. More than 80 youth participate in the school year program which empowers youth to make decisions on their own, advise the Jacksonville City Council and network with others from seven different high schools in Onslow County.
- **Solid Waste and Recycling Educational Program** – Public Services/Sanitation Division along with the Citizen's Solid Waste and Recycling Advisory Board began its first full scale Solid Waste and Recycling Educational Program, using an interactive lesson plan which teaches both school age children and instructors the importance of recycling solid waste materials. This program was designed to bring attention to the need for recycling in the Jacksonville community.

FOR THE FUTURE. The Citizens of Jacksonville can look forward to continued improvement in the quality of life and ambiance of the City. Infrastructure and planning issues are focal points in many of the projects for the coming year.

- **New Water Tank** – The City is undertaking the construction of a new 1.5 million gallon composite elevated water tank. The specifications and design have been completed by the engineering firm and submitted to the State for approval and necessary permits. The project is tentatively scheduled to be advertised for bid in October 2003, and the construction completed in April 2005.

- **New Water Plant** – The City has retained a consultant to design a water treatment facility. This facility will include: 12 wells, land acquisition, transmission mains, waste (by-product) management discharge and an initial 3 million gallons per day (MGD) Membrane Filtration Water Treatment Facility upgradeable in 1 MGD-increment expansions. The estimated cost of this facility is \$13,250,000. The new facility will allow water withdrawal from new sources, necessary to reduce water withdrawal from the Cretaceous Aquifer by 25% by 2008, as mandated in the 2002 Capacity Use Regulations. The Jacksonville City Council budgeted \$2,000,000 in FY 2003/2004 to begin this project.
- **Rails to Trails** – The Rails to Trails project is a 5.2-mile, 10-foot-wide bicycle/pedestrian trail utilizing the abandoned railroad bed between U.S. 17 and the main gate of Camp Lejeune. This project, funded jointly by the NCDOT and the City of Jacksonville, will cost an estimated \$2,934,399 to complete. The design/construction documents are complete and property acquisition should be completed in September 2003. Staff anticipates awarding a construction contract in November 2003 with an anticipated project completion of Fall 2004.
- **City Hall Renovation** – The City has purchased the adjacent First Citizens Bank building and an architect has designed the joining of the two buildings into a new City Hall that will provide a visual anchor for the new downtown redevelopment. Once construction begins, the project will take 18 to 24 months to complete.
- **Civic Center** – The City has selected The Mesirow Stein Team as master developer for the Civic Center Project, and has taken action towards securing a site for the project. Environmental issues are currently under remediation at the site. Summit Hospitality has joined with Mesirow Stein in submitting a proposal to construct a Hilton Garden Inn.
- **Storm Water Management** – The City is designated a National Pollutant Discharge Elimination System (NPDES) Phase II community which required the submission in March 2003 of an application and storm water plan addressing six minimum criteria. The application and plan detail specific actions the City will undertake in meeting the six minimum measures over the next five years. The Environmental Protection Agency and the NC Division of Water Quality will monitor the City's progress. The City awaits approval of its application by the NC Division of Water Quality.
- **Expansion of Extraterritorial Jurisdiction (ETJ)** – At the recommendation of the City's growth management consultant, Dr. Robert Freilich, and following a public hearing on June 5, 2003, the City Council on July 8, 2003, adopted an expansion of the current ETJ boundary to the maximum extent allowed by law which is a one mile boundary in all directions. The effective date of the new ETJ boundary is October 15, 2003.
- **Update of Long-range Transportation Plan** – The Jacksonville Urban Area is required to maintain a long-range transportation plan with a twenty-year design horizon. In conjunction with the North Carolina Department of Transportation, City staff has been collecting data necessary to evaluate and update the current Jacksonville Urban Area Transportation and Thoroughfare Plans. The commercial data and external origin/destination data were collected in fiscal year 2002 and the housing data was collected in 2003. Each data set was collected for all the

incorporated areas of the City and portions of Onslow County. This data will go into a computer model and assist the NCDOT and City staff in determining current and future transportation needs for the Jacksonville urban area.

- **Growth Management** – The Mayor appointed a 16-member Growth Management Steering Committee to lead the discussion and to advise our consultants: Dr. Robert Freilich of Freilich, Leitner, Carlisle and Mr. Bruce Peshoff of Planning Works, Inc. The Steering Committee at its August 12, 2003, meeting began reviewing a Draft “Community Assessment”. The Community Assessment will focus on land use and development issues by summarizing existing conditions, trends and issues facing the community and establishing background. Once the draft is finalized we intend to have public discussions regarding the document.

DEPARTMENT FOCUS. Each year the City selects a department to highlight for its efforts and accomplishments. In 2003, the Fire Department has been selected for review.

The mission of the Fire Department is “**to protect and save life and property; ensuring economic security and personal well-being, minimizing the impact of fire and other emergencies through the proactive implementation of a comprehensive range of education, prevention and enforcement programs, while maintaining highly trained response personnel to mitigate emergency incidents.**”

The Fire Department is organized into four Divisions:

- ◆ The Administrative Division is responsible for collecting data for reports, updating records, maintaining personnel and records files and any special projects that may be assigned. In performing these responsibilities the Division must research and study new equipment, write new equipment specifications, collect data for reports and records involving periodic Management Reports and Annual Reports. This division also compiles fiscal information for preparing the budget.
- ◆ The Operations Division is responsible for all emergency responses to include fire, emergency medical, technical rescue, natural and man-made hazards. This is the most visible Division in the Department, as well as the most hazardous. The Division is also responsible for maintenance of all emergency vehicles and equipment.
- ◆ The Fire Prevention Division develops and maintains effective and efficient programs directed toward identification of the causes and origins of fire, explosions and other emergency situations that endanger life and property. The Division coordinates mandated fire inspections and also provides building plan reviews as set forth by the North Carolina State Fire Prevention Code. Fire/Life safety classes are also presented to citizen groups, school-age classes, and other groups as requested.
- ◆ The Fire Training Division has the responsibility of planning and directing all training activities of the Department, including assessment of training needs, curriculum development and scheduling. The Training Division is also responsible for implementation of the Department Safety Program.

HIGHLIGHTS FOR 2003

- AGENCY ACCREDITATION – After 2 years of departmental preparations, the International Commission on Fire Accreditation On-site Assessment Team conducted a 3-day agency assessment and informed the Department that they would be recommending the Jacksonville Fire Department for Accreditation. This is an outstanding benchmark for our Department, and we are very proud of each member in helping to make this happen. The Accreditation Commission meets in August to accept assessment team reports, at which time the official approval for Accreditation is expected.
- CHILD SAFETY SEAT INSPECTIONS – The Department is continuing to train staff to perform child safety seat inspections according to guidelines of the North Carolina Department of Insurance. Personnel at Fire Stations 1, 2, and 4 received this training during FY 02-03. To date approximately 75% of department staff has received this training. The Department has hosted numerous child seat safety clinics at locations that included Geoffrey's, Target, and Sanders Ford.
- DOMESTIC PREPAREDNESS PLAN – After the tragic events of September 11th, 2001, the Department developed a Weapons of Mass Destruction Response Assessment that identified a phased plan for improving the Department's response to these types of incidents. Additional training for structural collapse and hazardous materials response is continuing. To date, 12 members of the department have completed the 80-hour Haz-Mat Technician course, and 20 members have completed the 40-hour structural collapse training course. The department has purchased additional specialized equipment for hazardous materials response and structural collapse response.
- FEMA GRANT – The Department applied for and received a FEMA grant for the purchase of a thermal imaging camera, SCBA training simulation equipment, and a mobile burn trainer. The grant totaled \$103,259. FEMA provided 90% of the funding totaling \$92,934 with a city match of 10% totaling 10,325.
- MOBILE LIVE BURN TRAINER – The majority of the FEMA grant was used to acquire a mobile live burn trainer to provide onsite training at fire stations, including county volunteer fire stations. This unit has special insulating panels to protect its frame so the inside can be burned repeatedly. It is designed to safely withstand the physical abuse imposed by live fire exercises. The mobile unit will also be available to any of the county volunteer fire departments that wish to use the unit.
- THERMAL IMAGER PROGRAM – Several years ago, the Department established a goal of outfitting each front-line response engine with a thermal imager to improve the safety and effectiveness of the firefighting units. We now have a Thermal Imager on each front-line response engine in the City. Each thermal imager is equipped with video transmission capability so that a video data stream of the interior environment can be transmitted out to the Incident Commander. The addition of the new cameras helps increase the level of safety on the fire ground.
- E.T.J. EXPANSION – Due to the recent one-mile expansion of the existing Extra Territorial Jurisdiction, the number of occupancies mandated by Fire Code to be inspected has increased. The numbers include, but are not limited to, 96 commercial properties, 29 institutional properties, 29 multi-family dwellings, 4,042 single-family dwellings and 76 mobile home dwellings. Out of the 4,147 dwellings there will be numerous Child Care, Foster Home and Group Home required inspections to be conducted. The additional

workload will involve more man-hours in order to schedule, inspect and in some cases re-inspect each individual structure. All fire code violations will be documented and then corrected in a timely and reasonable fashion. Any noted life safety violations must be abated immediately. The Fire Prevention Division will be tasked with absorbing this additional workload.

- FIRE SAFETY AND FIRE EXTINGUISHER TRAINING CLASSES – Each year the Fire Prevention Division conducts numerous Fire Safety and Fire Extinguisher Training Classes. Over 400 City employees take part in receiving hands-on fire extinguisher training and learn how to prevent fires in the work place as well as in their homes. The classes are presented at various locations on multiple dates and times. This type of scheduling gives several opportunities for each person to attend. The information taught at these classes adds a higher degree of safety at work and at home. Fire Prevention Saves Lives.
- IMPROVEMENTS TO GEORGETOWN FIRE TRAINING FACILITY – The Department has a joint project with the Onslow County Firemen's Association and Coastal Carolina Community College to improve the fire training facility at Georgetown. This project is being implemented in (3) phases. We have started on Phase I by ordering a steel frame-training tower. The training tower will allow all fire departments within the County to have a permanent place to train. The Training Division is working on other training ground improvements by adding an 8-inch water line and updating the confined space training area.
- PRE-FIRE PLANNING COMPUTER PROGRAM – The Training Division has put together a computer program that allows inspections and pre-fire plans to be done during the same visit. This program will also be available to the engine companies at an emergency scene on laptop computers. The Department is also able to track maintenance, testing and fire flows of hydrants.
- HAZ-MAT TEAM – The Department is organizing and training personnel for a City/County Hazardous Materials Team. Some members of the Department have already received training at the Hazardous Materials Technician Level and will start Hazardous Materials Chemistry Training this fall.

The Jacksonville Fire Department will continue to strive to give the citizens of our City the very best in fire protection services.

FINANCIAL INFORMATION

The financial statements and notes included in this report present the financial position and operations of governmental activities, business-type activities and fiduciary activity of the City. The accompanying Management's Discussion and Analysis provides a narrative overview of the City's financial performance for the fiscal year ended June 30, 2003. During the year, the City continued its sound current and long-range policies for financial management.

Internal Control Structure. Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting

principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of federal and state awards, the City is also responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control system is evaluated periodically by management and the Finance Department staff to achieve these objectives.

As a part of the City's single audit, tests are made to determine the adequacy of internal control, including that portion related to federal and state award programs, as well as to determine that the government has complied with applicable laws and regulations. The results of the government's single audit for the fiscal year ended June 30, 2003 provided no instances of material weakness in internal control and no material instances of noncompliance with applicable laws and regulations.

Budgetary Control Structure. General Statute 159-8 requires the adoption of an annual balanced budget for all funds except those for which expenditures are authorized by project ordinance, fiduciary funds and internal service funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by functional level within an individual annually budgeted fund. The City Manager is authorized by the budget ordinance to transfer appropriations between department levels within a fund up to \$5,000; however, any revisions that exceed \$5,000 at the functional level or revisions that alter total expenditures of any annually budgeted fund must be approved by the City Council. Administrative control is maintained through the establishment of more detailed line item budgets. The legally adopted annual budgets are on the modified accrual basis except that they include encumbrances for the current year and exclude expenditures resulting from prior years' encumbrances. Any unanticipated resources or expenditures are added to the original budget by official legal amendment as provided in General Statute 159-15.

Appropriations are reduced when commitments are issued. Open encumbrances at year-end are reported as reservations of fund balance and constitute budgetary authority for future expenditures. Unencumbered appropriations lapse at June 30 for annually adopted budgets.

Independent Audit. General Statute 159-34 requires an annual audit by a certified public accountant. The independent certified public accounting firm of McGladrey & Pullen, LLP, was selected by the City Council to provide this service. In addition to meeting statutory requirements, the audit also complies with the Single Audit Act, the US Office of Management and Budget Circular A-133, and North Carolina General Statute 159-34 (Single Audit Implementation Act). The auditors' report on the basic financial statements and combining and individual fund statements and schedules is included in the Financial Section of this report. The auditors' reports on internal controls and compliance with applicable laws and regulations are included in the Compliance Section.

Investment Management. Effective forecasting of cash requirements and aggressive investment of cash balances, including daily investment of bank balances, has allowed the maximum use of all available cash resources. The rate of return on the City's investment performance mirrors the average yield rates of 1.01 percent for US Treasury bills in 2003. For the year ended June 30, 2003, the City realized investment earnings of \$602,366, for an average yield of 1.38 percent.

The City's investment policy, guided by General Statute 159-30, minimizes credit and market risks while maintaining a competitive yield on its portfolio. For additional information on cash and investments, see the notes to the financial statements.

Risk Management. The primary objectives of the Risk Management Program are to:

- Identify potential exposures to loss,
- Evaluate the frequency and severity of losses,
- Reduce or eliminate risks or losses through established procedures and practices, and
- Determine the most efficient use of financial resources to satisfy losses.

For additional information on the City's risk management program, see the notes to the financial statements.

OTHER INFORMATION

Award. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Jacksonville for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2002. This was the twelfth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another Certificate.

Acknowledgments. The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department, various department heads and employees who assisted and contributed to its preparation, and our independent auditors, McGladrey & Pullen, LLP. Each of them has our sincere thanks.

In closing, without the resources and support furnished by the Mayor and City Council, preparation of this report would not have been possible.

Sincerely,

Ken Hagan
City Manager

Debra H. Mack
Finance Director/Special
Projects Coordinator

(Certificate of Achievement)

City of Jacksonville Organizational Chart

Citizens of Jacksonville

City Council (1)

Attorney

City Manager

City Clerk
Elections

Public Safety

Police

E-911

Fire

Public Services

Streets
General Maintenance
Solid Waste (3)
Engineering
Environmental Protection
City Hall Maintenance (2)
Water Operations (3)
Sewer Operations (3)

Development Services

Community Development

Rental Rehabilitation

Planning

Administration

Transportation

Inspections

Finance

Fleet Maintenance (2)

Human Resources

Cultural and Recreational

Recreation

Information Technology Services (ITS) (2)

Legend:

(1) Elected Officials

(2) Internal Service Fund

(3) Enterprise Fund

**City of Jacksonville
List of Principal Officials
June 30, 2003**

<u>Title</u>	<u>Name</u>
Mayor	Elsie P. Smith
Mayor, Pro-tem	Jerry Bittner
Council Member	Martin A. Aragona, Jr.
Council Member	Turner G. Blount
Council Member	Nancy Cleveland
Council Member	Fannie Coleman
Council Member	Horace Mann
City Manager	Ken Hagan
Attorney	John T. Carter
City Clerk	Carmen K. Miracle
Development Services Director	Tom Cassell
Finance Director/Special Projects Coordinator	Debra H. Mack
Fire Chief	Richard McIntyre
Human Resources Director	Connie Hammond
Information Technology Services	Earl Bunting
Police Chief	Ken Bumgarner
Public Services Director	Grant Sparks
Recreation Director	Michael Carter



FINANCIAL SECTION

- * Report of Independent Auditors
- * Management's Discussion and Analysis
- * Basic Financial Statements
- * Notes to the Financial Statements
- * Required Supplemental Financial Data
- * Combining and Individual Fund and Account Group - Statements and Schedules
- * Additional Financial Data



McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council,
City of Jacksonville, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Jacksonville, North Carolina, as of and for the year ended June 30, 2003, which collectively comprise City of Jacksonville's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of City of Jacksonville's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of City of Jacksonville, North Carolina, as of June 30, 2003, and respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, City of Jacksonville, North Carolina adopted Governmental Accounting Standards Board Statement Number 34 during the year ended June 30, 2003.

In accordance with Government Auditing Standards, we have also issued our report dated August 29, 2003 on our consideration of City of Jacksonville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit

The Management's Discussion and Analysis and the Law Enforcement Officer's Special Separation Allowance Schedules of Funding Progress and Employer Contributions are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jacksonville's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section, as well as the Schedule of Expenditures of Federal and State Awards (in the compliance section) as required by U. S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations and the State Single Audit Implementation Act, are presented for the purposes of additional analysis and are not a required part of the basic financial statements of City of Jacksonville, North Carolina. The combining and individual fund statements and schedule and the Schedule of Expenditures of Federal and State Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

New Bern, North Carolina
August 29, 2003

**City of Jacksonville, North Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2003**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Jacksonville's (City) annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2003. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

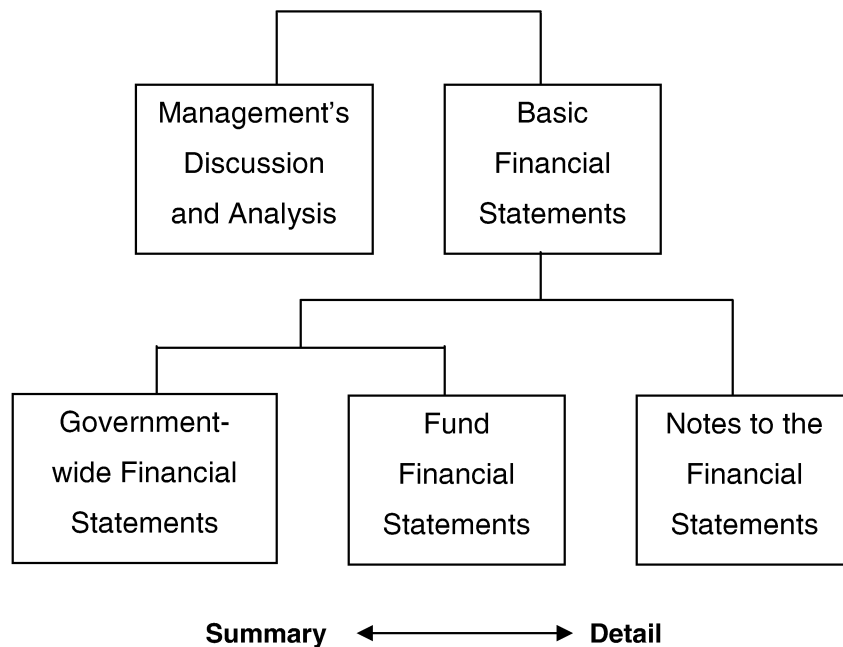
FINANCIAL HIGHLIGHTS

- The overall financial position of the City improved in 2003 as evidenced by an increase in total net assets of \$1.38 million, primarily due to increases in the governmental activities net assets.
- The assets of the City exceeded its liabilities at the close of the fiscal year by \$88.8 million (net assets). Of this amount, \$29.7 million (unrestricted net assets) can be used to meet the City's ongoing obligations to its citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$30.1 million, an increase of \$4.5 million in comparison with the prior year. Approximately 6.6 percent of this total amount or \$2.0 million is available for spending at the government's discretion (unreserved and undesignated fund balance).
- At the end of the current fiscal year, unreserved/undesignated fund balance for the General Fund was \$3.6 million, or 10.6 percent, of the budget for fiscal year 2004. This did not meet the City Council's goal of 15 percent by the end of fiscal year 2003.
- The City's total debt increased by \$2.7 million (7.3%) during the current fiscal year. The key factor in this increase was the installment purchase borrowing of \$5 million related to the expansion/renovation of City Hall.
- The City's sound financial condition is evidenced by the continuation of its A2 bond rating from Moody's Investors Service and A+ rating from Standard & Poor's Ratings Services.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists primarily of three parts: management's discussion and analysis (this section), the basic financial statements, and a section that presents combining and individual fund statements as well as detailed budgetary comparison schedules. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. The following diagram shows how the required components of this annual report are arranged and relate to one another.

Required Components of Annual Financial Report



The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status. The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

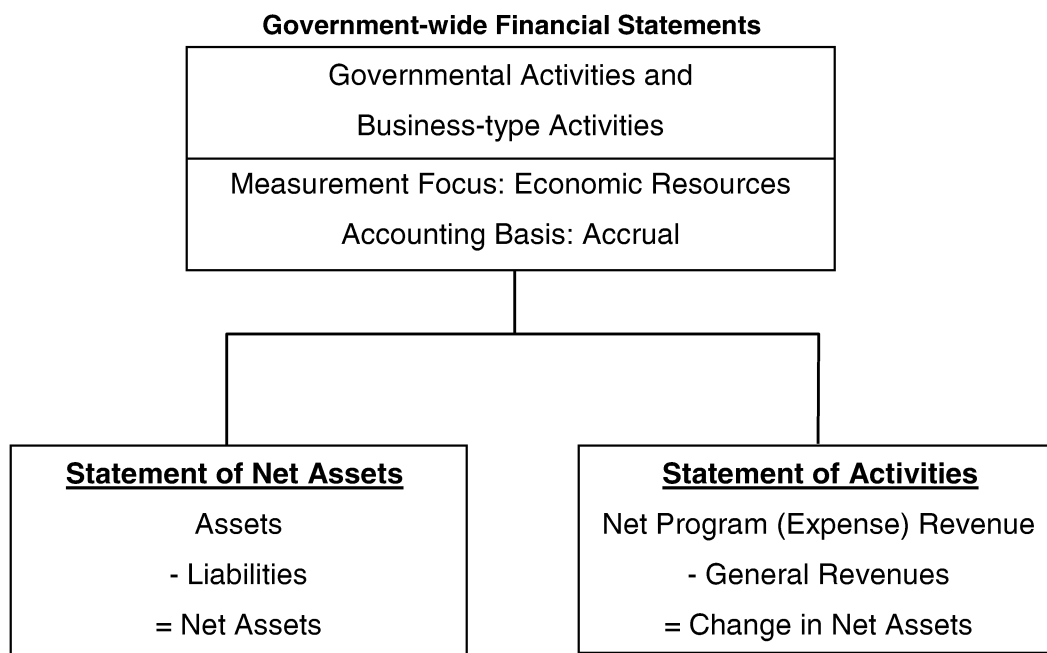
- The *governmental funds statements* tell how general government services like public safety were financed in the short term as well as what remains for future spending. A budgetary comparison statement has been provided for the General Fund to demonstrate budgetary compliance.
- *Proprietary funds statements* offer short- and long-term financial information about the activities the City operates like businesses, such as the water and sewer system.
- The *Fiduciary fund statement* reflects the financial relationship with the Special Separation Allowance Trust Fund which provides benefits exclusively for law enforcement City employees.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data, and are followed by the required supplemental financial data on the Law Enforcement Officers' Special Separation Allowance. In addition to these required elements, a section is included with combining statements that provide details about nonmajor governmental funds, which are totaled and presented in a single column in the basic financial statements. This section also includes detailed budgetary information required by North Carolina General Statutes.

The remainder of this overview section explains the structure and contents of the government-wide and fund financial statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The primary features are reflected in the following diagram:



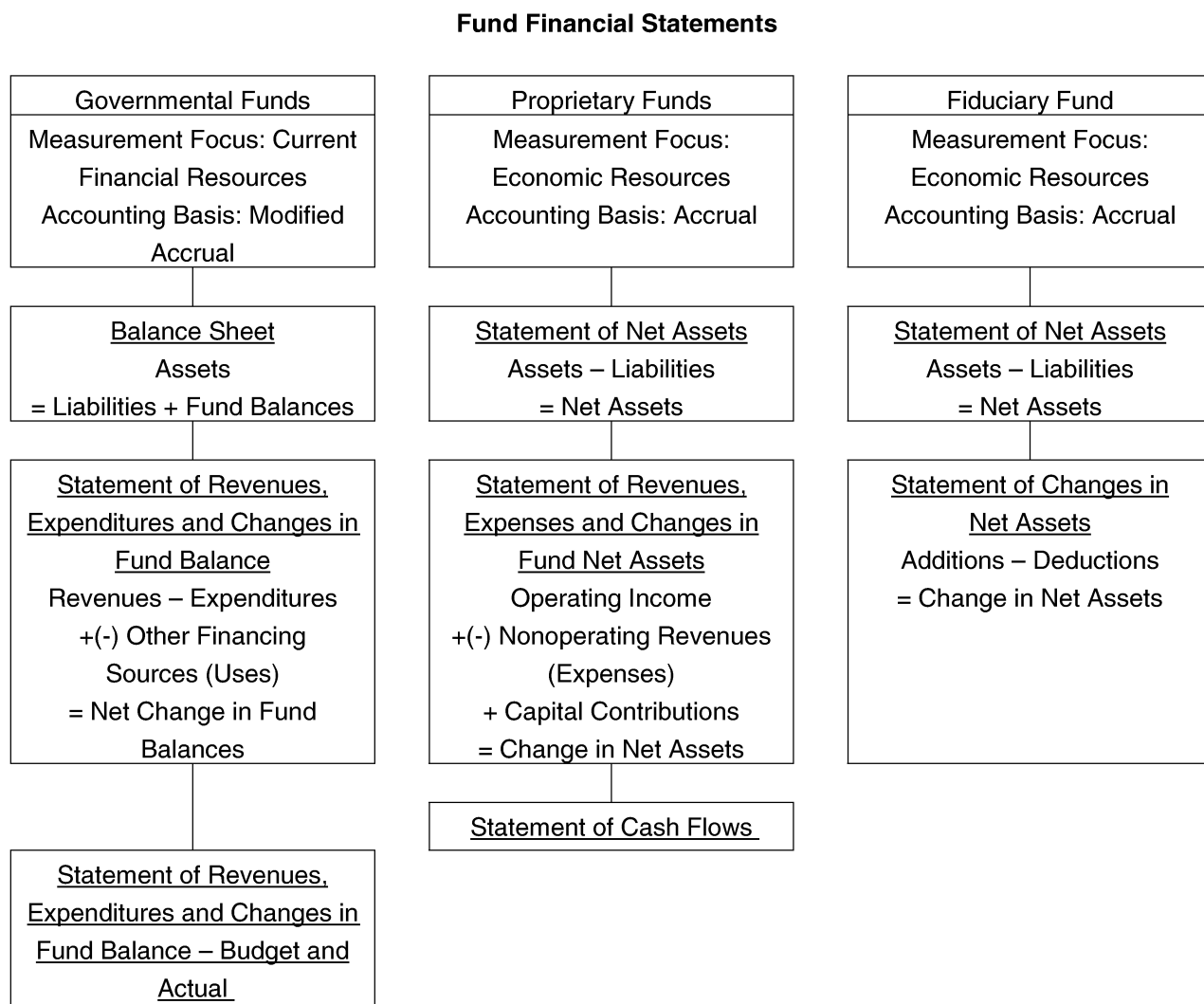
The *statement of net assets* includes all of the government's assets and liabilities except fiduciary funds. The *statement of activities* accounts for all of the current year's revenues and expenses regardless of when cash is received or paid. These two statements report the City's net assets and how they have changed. Net assets, the difference between assets and liabilities, are one way to measure the City's financial health or position. Over time, increases or decreases in the City's net assets are one indicator of whether financial health is improving or deteriorating. Other nonfinancial factors such as changes in the City's property tax base and the condition of the City's roads must be considered to assess the overall health of the City.

The government-wide financial statements are divided into two categories:

- Governmental activities - Most of the City's basic services are included here, such as public safety, community planning and development, and streets and environmental protection. Property taxes, other taxes, and grants and contributions finance most of these activities.
- Business-type activities - The City charges fees to customers to cover the costs of certain services provided. The City's water and sewer system, and solid waste system are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting groups that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State Statutes. Other funds are established to control and manage resources designated for specific purposes. The following diagram presents the major features of the fund financial statements including the types of information contained therein.



The City has three kinds of funds:

- Governmental funds - Most of the City's basic services are included in governmental funds, which focus on (1) the flow in and out of cash and other financial assets that can readily be converted to cash and (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting basis and a current financial resources measurement focus. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Assets and the

Statement of Activities) and governmental funds is described in a reconciliation that follows the governmental fund financial statements.

The City adopts an annual budget for the General Fund, as required by State Statutes. A budgetary comparison statement is presented for the General Fund using the City's budgetary basis of accounting. This statement reflects the following: (a) the original budget, (b) the final budget as amended, (c) actual resources, and (d) the variance between the final budget and actual resources. Because the City's budgetary basis of accounting does not differ from the modified accrual basis used in the funds statements, a reconciliation is not necessary at the end of the statement.

- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has two types of proprietary funds. Enterprise funds are the same as the business-type activities (shown in the Government-wide Statements), but provide more detail and additional information, such as cash flows. Internal service funds are used to report activities that provide supplies and services for the City's other programs and activities. These internal service activities predominately benefit governmental rather than business-type activities; therefore, they have been included with governmental activities in the government-wide financial statements.
- Fiduciary fund - The City is the trustee, or fiduciary, for the Law Enforcement Officers' Special Separation Allowance Trust Fund. It is responsible for ensuring that the assets reported in this fund are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. This fund is excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The government-wide financial statements for the fiscal year ended June 30, 2003, are the beginning of a new era in financial reporting for the City and many other units of government across the United States. Prior to this year, the City maintained its governmental and proprietary funds groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the City. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement No. 34 dictated the changes you see in the City's financial reports as well as those of many other units of government. While the

City was required to implement these changes for the fiscal year ended June 30, 2003, other units were required to implement in 2002 and 2004.

Because of the new reporting model, comparative data for all facets of the report were not available. When comparative numbers were accessible, they have been included, such as with net assets. Future years' reports will have more comparative data that will allow more opportunities for comparative analysis.

The City of Jacksonville's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 37,220,231	\$ 30,636,948	\$13,234,902	\$ 14,492,096	\$ 50,455,133	\$ 45,129,044
Capital assets	23,217,702	22,056,813	62,627,239	63,388,507	85,844,941	85,445,320
Total assets	60,437,933	52,693,761	75,862,141	77,880,603	136,300,074	130,574,364
Long-term liabilities outstanding	13,069,217	9,143,315	28,241,622	29,664,634	41,310,839	38,807,949
Other liabilities	4,817,732	3,082,260	1,328,818	1,224,431	6,146,550	4,306,691
Total liabilities	17,886,949	12,225,575	29,570,440	30,889,065	47,457,389	43,114,640
Net assets:						
Invested in capital assets, net of related debt	16,427,325	16,211,384	38,166,483	37,642,529	54,593,808	53,853,913
Restricted	4,573,546	3,655,049	-	-	4,573,546	3,655,049
Unrestricted	21,550,113	20,601,753	8,125,218	9,349,009	29,675,331	29,950,762
Total net assets	\$ 42,550,984	\$ 40,468,186	\$46,291,701	\$ 46,991,538	\$ 88,842,685	\$ 87,459,724

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The assets of the City of Jacksonville exceeded liabilities by \$88.8 million as of June 30, 2003. The City's net assets increased by \$1.38 million for the fiscal year ended June 30, 2003. However, the largest portion (61.5%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net assets (5.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$29.7 million is unrestricted.

Net assets of the governmental activities increased \$2.1 million, or 5.2 percent, to \$42.6 million. However, \$21.0 million of these net assets either are restricted as to the purposes they can be used for or are invested in capital assets (e.g. land, buildings, machinery, and equipment buildings, roads, etc.). Unrestricted net assets of \$21.6 million were virtually unchanged from

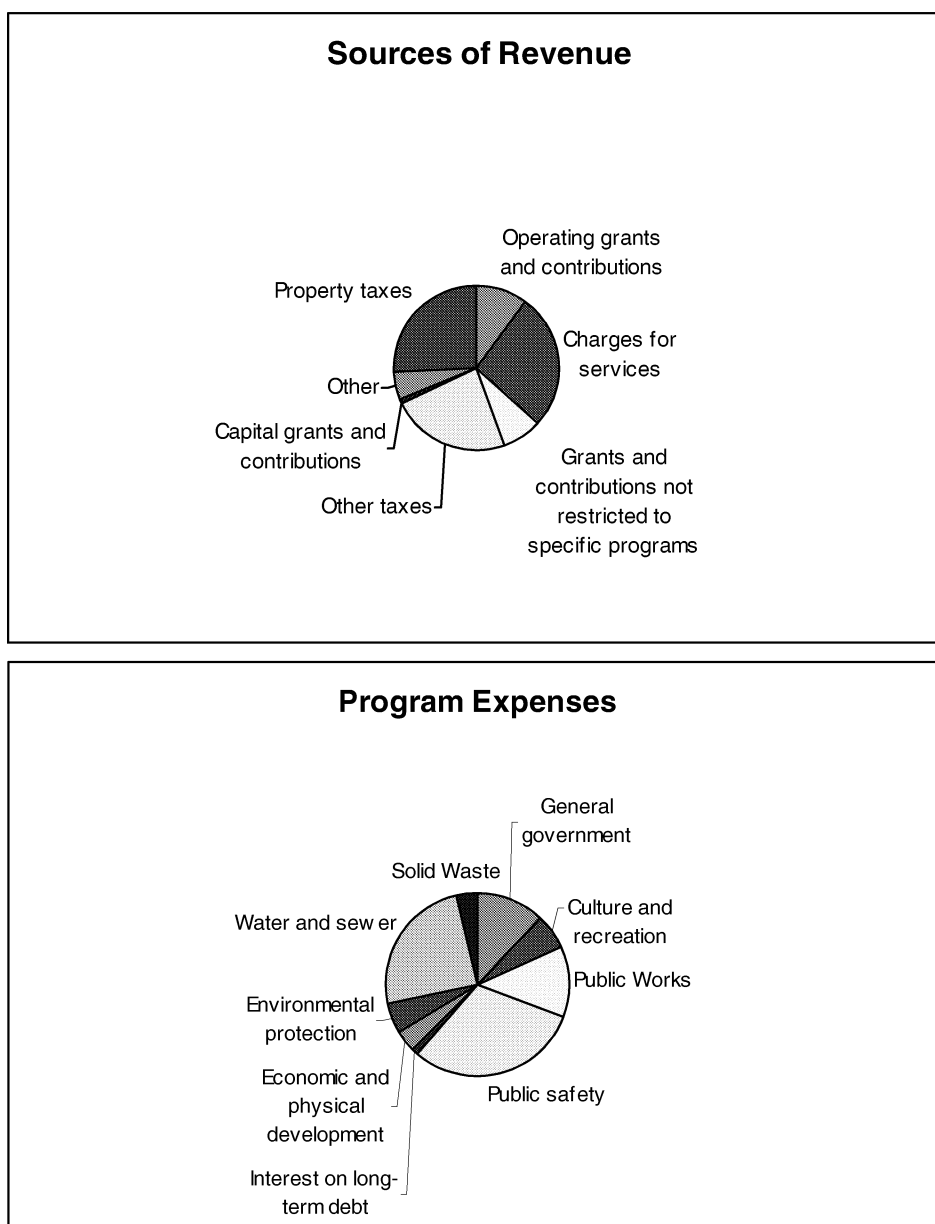
the previous year. The unrestricted net assets are available primarily to support operations and provide for payment of long-term debt.

The net assets of the business-type activities decreased by \$700 thousand, or 1.5 percent, to \$46.3 million. These net assets will be used to finance the operations and expansion of the water, sewer, and solid waste operations.

City of Jacksonville Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
	2003	2003	2003
Revenues:			
Program revenues:			
Charges for services	\$ 976,783	\$ 9,753,142	\$ 10,729,925
Operating grants and contributions	4,259,247	-	4,259,247
Capital grants and contributions	424,171	94,932	519,103
General revenues:			
Property taxes	10,573,646	-	10,573,646
Other taxes	9,539,578	-	9,539,578
Grants and contributions not restricted to specific programs	3,553,126	834,441	4,387,567
Other	823,616	192,736	1,016,352
Total revenues	30,150,167	10,875,251	41,025,418
Expenses:			
General government	4,730,840	-	4,730,840
Public works	5,109,369	-	5,109,369
Public safety	12,097,573	-	12,097,573
Economic and physical development	1,527,230	-	1,527,230
Environmental protection	2,201,681	-	2,201,681
Culture and recreation	2,375,623	-	2,375,623
Interest on long-term debt	422,513	-	422,513
Water and sewer	-	9,731,734	9,731,734
Solid waste	-	1,445,894	1,445,894
Total expenses	28,464,829	11,177,628	39,642,457
Increase in net assets before transfers	1,685,338	(302,377)	1,382,961
Transfers	397,460	(397,460)	-
Change in net assets	2,082,798	(699,837)	1,382,961
Net assets, July 1	40,468,186	46,991,538	87,459,724
Net assets, June 30	\$ 42,550,984	\$ 46,291,701	\$ 88,842,685

The following graphically depicts the government-wide sources of revenues and program expenses for the year ended June 30, 2003:



Total government-wide revenues of \$41 million were derived primarily from charges for services (26.2 percent). Property taxes of 25.8 percent and other taxes of 23.3 percent mean that 49.1 cents of every dollar comes from some type of tax. The remaining primary revenue source of operating grants and contributions make up 10.4 percent.

The total expenses of all programs were \$39.6 million. The expenses cover a range of services with the largest being public safety (fire and police) for 30.5 percent. The two remaining largest programs are public works (streets, maintenance, inspections etc.) which constitutes 12.9 percent and water and sewer make up another 24.5 percent.

Governmental Activities

Revenues for the governmental activities were \$30.2 million, while total expenses were \$28.5 million. Governmental activities increased the City's net assets by \$2.1 million (after transfers of \$397 thousand), thereby accounting for 100 percent of the total growth in net assets.

The increase is primarily the result of \$2.4 million in grants and contributions not restricted to specific programs and property tax revenues remained steady.

The table below highlights the cost of the City's three largest governmental programs—public safety, public works, and cultural and recreational—as well as each program's net cost (total cost less fees generated by the activities and intergovernmental grants). The net cost shows the financial support provided by taxes and other general revenue sources not restricted to specific programs.

Net Cost of Governmental Activities

	Total Cost of Services	Net cost of Services
Public safety	\$ 12,097,573	\$ 11,227,775
Public works	5,109,369	2,925,634
Cultural and recreational	2,375,623	1,556,219
Other	8,882,264	7,095,000
	<u>\$ 28,464,829</u>	<u>\$ 22,804,628</u>

The total cost of services of \$28.5 million was supported by \$1 million in fees, fines and charges from those who directly benefited from the programs. Another \$4.7 million was provided by other governments and organizations for specific programs. The remaining amount of \$22.8 million was supported by \$20.1 million in taxes and \$2.4 million in revenues not restricted to specific programs. The result was an excess of revenues over expenses (after transfers of \$397 thousand) of \$2.1 million.

Business-type Activities

Revenues for the business-type activities were \$10.9 million, and expenses were \$11.2 million. Business-type activities decreased the City's net assets by \$700 thousand (after transfers of \$397 thousand) accounting for none of the total growth in the net assets. The table below presents the cost and net cost (revenue) for all business-type activities.

Net Cost (Revenue) of Business-type Activities

	Total Cost of Services	Net cost of Services
Water and Sewer	\$ 9,731,734	\$ 1,429,186
Solid Waste	1,445,894	(99,632)
	<u>\$ 11,177,628</u>	<u>\$ 1,329,554</u>

For all business-type activities user rates and fees are established to provide for operating expenses, debt service costs and adequate working capital. The water rates have not increased since 1989 although the cost of providing this service has steadily increased. The need for a water rate increase is discussed in the "Economic Factors and Next Year's Budgets and Rates Section" of the MD & A.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At June 30, 2003, the governmental funds reported a combined fund balance of \$30.1 million, an increase of \$4.5 million, or 1.1 percent, over last year. This amount consists of the following:

- (a) \$14.1 million designated for capital projects,

Capital Projects	\$ 6,277,935
Capital Reserve	<u>7,824,674</u>
	\$14,102,609
- (b) \$ 1.0 million designated for future debt service payments (installment purchase),
- (c) \$ 3.9 million designated for specific programs,

Special Revenue	\$ 420,272
Smithfield	165,996
Drug Enforcement	404,348
Powell Bill	2,806,077
Compensating balance	52,000
Reserve by grantor	18,165
Reserved inventories	4,033
Reserved for prepaids	<u>7,954</u>
	\$ 3,878,845
- (d) \$ 9.1 million reserved primarily for encumbrances and State Statutes, and

State Statute	\$ 3,022,419
Designated Subsequent Years	
Expenditure General Fund	2,715,802
Encumbrances	<u>3,396,350</u>
	\$ 9,134,571
- (e) \$ 2.0 million unreserved, undesignated.

General Fund Budgetary Highlights

During the fiscal year, City Council approved several immaterial budget amendments. The only significant amendment was an increase in revenues of \$1.8 million for the utility franchise tax and beer and wine tax being released by the State which was originally withheld at budget adoption.

Revenues were \$337 thousand above the final budgeted amount. Property tax collections were \$160 thousand greater than expected and the joint drug task force had a one-time award of \$236 thousand; however, this increase was offset by \$59 thousand less than expected for sales tax collections due to the general economic slowdown.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2003, the City had \$85.8 million (net of accumulated depreciation) in capital assets consisting primarily of buildings, improvements other than buildings and infrastructure. This amount represents a net increase of \$400 thousand, or .47 percent, over last year. The following is a summary of capital assets at June 30, 2003:

City of Jacksonville Capital Assets (net of depreciation)

	Governmental Activities	Business-type Activities	Total
	2003	2003	2003
Land	\$ 1,949,638	\$ 170,725	\$ 2,120,363
Buildings	5,019,310	42,530,284	47,549,594
Improvements other than buildings	3,093,477	15,476,887	18,570,364
Equipment	1,567,548	142,832	1,710,380
Heavy equipment	63,386	78,795	142,181
Vehicles	2,049,737	90,888	2,140,625
Infrastructure	7,264,400	-	7,264,400
Construction in progress	2,210,206	4,136,828	6,347,034
Total	\$ 23,217,702	\$ 62,627,239	\$ 85,844,941

This year's major capital asset additions included:

- Donated water and sewer systems - \$ 834 thousand
- Donated streets - \$ 1.03 million
- Water distribution systems - \$256 thousand
- Wastewater treatment and sewage collection - \$1.71 million

At June 30, 2003, authorized capital projects totaled \$43.6 million as follows: governmental (\$26.5 million), water and sewer (\$16.8 million), and information systems (\$ 273 thousand). The City has plans to issue additional debt to finance these projects in addition to using resources currently available.

More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

Long-term Debt

At June 30, 2003, the City had \$40.2 million of debt outstanding in installment purchases and revolving loans to the State of North Carolina. This was an increase of \$2.7 million, or 7.3 percent, over last year. Details by type of debt are presented in the following table:

City of Jacksonville's Outstanding Debt Installment Purchases and Loans

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Installment Purchases	\$ 12,095,656	\$ 7,946,212	\$ 10,760,113	\$ 10,812,966	\$ 22,855,769	\$ 18,759,178
Loans	-	-	17,383,110	18,746,359	\$ 17,383,110	\$ 18,746,359
Total	\$ 12,095,656	\$ 7,946,212	\$ 28,143,223	\$ 29,559,325	\$ 40,238,879	\$ 37,505,537

New debt for 2003 resulted from installment purchases for:

- City Hall Expansion/Renovation (\$5 million),
- Vehicles and equipment (\$1.4 million),
- Renovation of sewer headworks and automated meter reading (\$600 thousand)
- Information Systems technology improvements (\$258 thousand).

As indicated in the financial highlights, the City's sound financial condition is evidenced by the continuation of its A2 bond rating from Moody's Investors Service and A+ rating from Standard & Poor's Ratings services. This is a primary factor in keeping interest costs low on the City's outstanding debt.

North Carolina General Statutes limit the amount of general obligation debt that the City can issue to 8 percent of the total assessed value of taxable property. The legal debt margin for the City at June 30, 2003, was \$131.1 million.

More detailed information about the City's long-term obligations is presented in Note 9 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following economic indicators impact the City's budget outlook:

- During fiscal year 2003, 29 nonresidential and 275 residential units were constructed with a value of \$60.6 million compared to \$43.8 million for 2002.
- Retail sales during 2003 were \$913 million compared to \$855 million for 2002.
- The June 2003 unemployment rate was 6.1 percent compared to 6.6 percent for the state and 6.4 percent for the nation.

Property tax receipts remain stable despite a slowdown in the economy. The Council adopted an additional ½ cent sales tax (Article 44); therefore, sales tax revenues are the primary revenue source expected to increase in 2004. The two most significant factors negatively impacting the 2004 budget are the weakened economy and the State withholding a portion of the Powell Bill funds used for street construction to address State budget shortfalls.

If the State continues to withhold funds, due to the City's strong financial position, these reductions can be absorbed in the short term; however, reductions beyond 2004 will require either new revenue sources or reductions in operating and/or capital expenditures.

The General Fund initial budget for 2004 increased 7.5 percent from \$31.58 million to \$33.95 million. The primary projected increase in revenues is \$1,408,898 in sales tax from the adoption of the additional Article 44 sales tax. The significant new expenditures are \$303 thousand to fund 9 new positions, \$337 thousand to fund a 3 percent increase in employee compensation, \$864 thousand for debt payments and \$968 thousand for capital improvement projects.

The following are highlights for the 2004 budgets for the business-type activities:

- The average residential water rate will increase 23.1 percent. This translates into the average water customer paying \$9.70 month versus \$7.88. As stated previously, the water rate has not increased since 1989. This increase was necessitated due to the cost of operations were not being covered by sufficient rates and also the decision to construct a new water treatment facility. The new water treatment facility is the result of 20 coastal counties being forced to reduce their reliance on the cretaceous aquifer and find alternative water source(s).
- The City has implemented a storm water fund in reaction to the mandated National Pollutant Discharge Elimination System (NPDES) rules. The City will be moving toward an impervious area fee to fund this mandate in 2005.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning this report or requests for additional financial information should be directed to the City of Jacksonville's Finance Department, 211 Johnson Boulevard, P.O. Box 128, Jacksonville, NC 28541-0128.



BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide a summary overview of the financial position of the government as a whole as well as the operating results of all funds. They also serve as a condensed introduction to the more detailed statements and schedules that follow.



Statement of Net Assets

June 30, 2003

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 21,426,800	\$ 8,251,021	\$ 29,677,821
Receivables:			
Taxes	782,643		782,643
Accrued interest	112,259		112,259
Accounts receivable (net)	3,542,309	1,007,866	4,550,175
Notes receivable	1,369,399		1,369,399
Inventories	78,845	251,819	330,664
Prepaid items	7,954		7,954
Restricted Assets:			
Cash and investments	9,880,178	3,682,467	13,562,645
Internal receivables	19,844	41,729	
Capital Assets:			
Land	1,949,638	170,725	2,120,363
Buildings and other structures	10,560,816	63,382,020	73,942,836
Improvements other than buildings	3,452,936	36,996,874	40,449,810
Equipment	5,938,168	559,563	6,497,731
Heavy Equipment	688,807	337,976	1,026,783
Vehicles	8,566,912	613,408	9,180,320
Infrastructure	13,862,380		13,862,380
Construction in progress	2,210,206	4,136,828	6,347,034
Less accumulated depreciation	(24,012,161)	(43,570,155)	(67,582,316)
Total Assets	60,437,933	75,862,141	136,238,501
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	3,653,674	827,160	4,480,834
Internal payables	41,729	19,844	
Liabilities payable from restricted assets	91,990		91,990
Deposits payable	648,821	362,206	1,011,027
Unearned revenue	381,518	119,608	501,126
Noncurrent Liabilities:			
Due within one year	2,604,167	2,352,986	4,957,153
Due in more than one year	10,465,050	25,888,636	36,353,686
Total Liabilities	17,886,949	29,570,440	47,395,816
Net Assets			
Invested in capital assets, net of related debt	16,427,325	38,166,483	54,593,808
Restricted:			
Capital Projects	2,695,091		2,695,091
Public Works	1,223,578		1,223,578
Public Safety	600,091		600,091
Other Purposes	54,786		54,786
Unrestricted	21,550,113	8,125,218	29,675,331
Total Net Assets	\$ 42,550,984	\$ 46,291,701	\$ 88,842,685

Note: Internal Receivables and Internal Payables have been eliminated in the Total column.

The accompanying notes are an integral part of the financial statements.

City of Jacksonville, North Carolina

Statement of Activities

For the Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 4,730,840	\$ 59,648	\$ 168,671	\$
Public works	5,109,369	371,541	1,812,194	
Public safety	12,097,573	290,451	579,347	
Economic and physical development	1,527,230		1,511,446	
Environmental protection	2,201,681	47,499		
Cultural and recreational	2,375,623	207,644	187,589	424,171
Interest on long-term debt	422,513			
Total governmental activities	28,464,829	976,783	4,259,247	424,171
Business-type Activities:				
Water and sewer	9,731,734	8,207,616		94,932
Solid Waste	1,445,894	1,545,526		
Total business-type activities	11,177,628	9,753,142		94,932
Total primary government	\$ 39,642,457	\$ 10,729,925	\$ 4,259,247	\$ 519,103

General revenues:

Taxes:

 Property taxes, levied for general purpose

Other taxes:

 Sales tax

 Privilege licenses

 Franchise tax

 Gross receipts on short term vehicle leases

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Transfers

 Total general revenues and transfers

 Change in net assets

Net assets-beginning

Net assets-ending

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (4,502,521)	\$	\$ (4,502,521)
(2,925,634)		(2,925,634)
(11,227,775)		(11,227,775)
(15,784)		(15,784)
(2,154,182)		(2,154,182)
(1,556,219)		(1,556,219)
(422,513)		(422,513)
<u>(22,804,628)</u>		<u>(22,804,628)</u>
	(1,429,186)	(1,429,186)
	99,632	99,632
	(1,329,554)	(1,329,554)
<u>(22,804,628)</u>	<u>(1,329,554)</u>	<u>(24,134,182)</u>
10,573,646		10,573,646
8,716,760		8,716,760
433,023		433,023
316,994		316,994
72,801		72,801
3,553,126	834,441	4,387,567
406,151	191,040	597,191
417,465	1,696	419,161
397,460	(397,460)	
<u>24,887,426</u>	<u>629,717</u>	<u>25,517,143</u>
2,082,798	(699,837)	1,382,961
40,468,186	46,991,538	87,459,724
<u>\$ 42,550,984</u>	<u>\$ 46,291,701</u>	<u>\$ 88,842,685</u>

City of Jacksonville, North Carolina
Balance Sheet - Governmental Funds
June 30, 2003

Exhibit C

	Major General	Major Capital Reserve	Total Non-Major Funds	Total
Assets				
Cash and investments	\$ 9,527,746	\$ 7,823,207	\$ 3,424,204	\$ 20,775,157
Taxes receivable (net)	782,643			782,643
Accounts receivable (net)	3,312,097	1,467	227,553	3,541,117
Notes receivable			1,369,399	1,369,399
Interfund receivable	31,915		7,086	39,001
Inventories	4,033			4,033
Prepaid items	7,034		920	7,954
Restricted cash and investments	2,634,224		6,985,685	9,619,909
Total assets	<u>\$ 16,299,692</u>	<u>\$ 7,824,674</u>	<u>\$ 12,014,847</u>	<u>\$ 36,139,213</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,892,155	\$	\$ 1,711,149	\$ 3,603,304
Interfund payable	153,151		27,979	181,130
Liabilities payable from restricted assets			91,990	91,990
Compensated absences payable	56,792			56,792
Customer deposits	648,821			648,821
Deferred revenues	1,103,373			1,103,373
Unearned revenues	381,518			381,518
Total liabilities	<u>4,235,810</u>		<u>1,831,118</u>	<u>6,066,928</u>
Fund balances:				
Reserved by state statute	\$ 3,022,419	\$	\$	\$ 3,022,419
Reserved by grantor			18,165	18,165
Reserved for compensating balance	52,000			52,000
Reserved for encumbrances	711,614		2,684,736	3,396,350
Reserved for inventories	4,033			4,033
Reserved for installment purchase	947,441			947,441
Reserved for Powell Bill	573,754		2,232,323	2,806,077
Reserved for prepaid items	7,034		920	7,954
Reserved for drug enforcement	404,348			404,348
Reserved for Smithfield Grant			165,996	165,996
Unreserved:				
Designated for subsequent year's expenditures:				
General Fund	2,715,802			2,715,802
Capital Reserve		7,824,674		7,824,674
Capital Projects			6,277,935	6,277,935
Special Revenue			420,272	420,272
Unreserved, undesignated (deficit):				
General Fund	3,625,437			3,625,437
Capital Projects			(1,431,087)	(1,431,087)
Special Revenue			(185,531)	(185,531)
Total fund balances	<u>12,063,882</u>	<u>7,824,674</u>	<u>10,183,729</u>	<u>30,072,285</u>
Total liabilities and fund balances	<u>\$ 16,299,692</u>	<u>\$ 7,824,674</u>	<u>\$ 12,014,847</u>	<u>\$ 36,139,213</u>

The accompanying notes are an integral part of the financial statements.

Continued on next page.

City of Jacksonville, North Carolina
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Activities
June 30, 2003

Exhibit C,
continued.

Total fund balances for governmental funds	\$ 30,072,285
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	23,217,702
Adjustment for assets attributable to internal service funds	(1,071,498)
Other long-term assets are not available to pay for current-period expenditures and therefore are:	
Deferred Revenue	1,103,373
Accrued interest on Property Taxes - Statement of Net Assets	112,259
Internal service funds are used to charge the costs of Technology, Janitorial and Fleet Maintenance costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	1,194,038
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(13,069,217)
Adjustment for internal service funds installment purchases	894,663
Adjustment for current portion of vacation pay	97,379
Total net assets of governmental activities	<u>\$ 42,550,984</u>

The accompanying notes are an integral part of the financial statements.

City of Jacksonville, North Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003

Exhibit D

	Major General	Major Capital Reserve	Total Non-Major Funds	Total
Revenues:				
Ad valorem taxes	\$ 10,548,669	\$	\$	\$ 10,548,669
Other taxes and licenses	9,539,578			9,539,578
Unrestricted intergovernmental revenues	2,097,237			2,097,237
Restricted intergovernmental revenues	2,166,286		2,498,678	4,664,964
Permits and fees	414,310			414,310
Sales and services	285,607			285,607
Investment earnings	216,230	120,316	56,884	393,430
Miscellaneous	117,053	9,548	287,322	413,923
Total revenues	<u>25,384,970</u>	<u>129,864</u>	<u>2,842,884</u>	<u>28,357,718</u>
Expenditures:				
Current:				
General government	4,653,130			4,653,130
Public works	3,815,852			3,815,852
Public safety	10,646,709		638,490	11,285,199
Environmental protection	2,170,986			2,170,986
Cultural and recreational	1,818,666			1,818,666
Economic and physical development			1,522,149	1,522,149
Capital outlay			3,075,534	3,075,534
Debt service:				
Principal retirement	1,969,943		105,715	2,075,658
Interest and fees	336,904		56,182	393,086
Total expenditures	<u>25,412,190</u>		<u>5,398,070</u>	<u>30,810,260</u>
Revenues over (under) expenditures	<u>(27,220)</u>	<u>129,864</u>	<u>(2,555,186)</u>	<u>(2,452,542)</u>
Other financing sources (uses):				
Proceeds from borrowing	1,228,263		5,000,000	6,228,263
Sales of general fixed assets	226,082		100,000	326,082
Transfers in	1,407,814	1,225	2,666,655	4,075,694
Transfers (out)	(1,779,105)	(1,662,740)	(236,390)	(3,678,235)
Total other financing sources (uses)	<u>1,083,054</u>	<u>(1,661,515)</u>	<u>7,530,265</u>	<u>6,951,804</u>
Net change in fund balances	1,055,834	(1,531,651)	4,975,079	4,499,262
Fund balances:				
Beginning of year, July 1	<u>11,008,048</u>	<u>9,356,325</u>	<u>5,208,650</u>	<u>25,573,023</u>
End of year, June 30	<u>\$ 12,063,882</u>	<u>\$ 7,824,674</u>	<u>\$ 10,183,729</u>	<u>\$ 30,072,285</u>

The accompanying notes are an integral part of the financial statements.

Continued on next page.

City of Jacksonville, North Carolina
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2003

Exhibit D,
continued.

Net change in fund balances - total governmental funds \$ 4,499,262

The changes in net assets reported for governmental activities
in the statement of activities is different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities the cost of those assets is
allocated over their estimated useful lives and reported as
depreciation expense:

Increase in purchased Capital Assets net of decrease in construction in progress	3,351,244
Adjustment for increases attributable to Internal Service Funds	(415,667)
Depreciation Expense	(3,301,668)
Adjustment for expense attributable to Internal Service Funds	289,805

The net effect of various miscellaneous transactions involving
capital assets (i.e., sales and donations) is to increase net assets:

Gain on the Sale of Capital Assets	302,233
Donated Assets	1,135,159
Proceeds from the Sale of Capital Assets	(326,082)

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenue in the funds.

Increase in Utility Franchise Tax	240,151
Increase in Beer & Wine Tax	80,579
Increase in Deferred Property Tax revenue	24,977

The issuance of long-term liabilities (e.g., installment purchases)
provides current financial resources to governmental funds, while the
repayment of the principal of long-term liabilities consumes the current
financial resources of governmental funds. Neither transaction has
any effect on net assets in the government-wide statements. This
amount is the net effect of these differences in the treatment of
long-term liabilities:

Additions to Long-Term Liabilities	(6,782,048)
Adjustment for additions attributable to Internal Service Funds	258,820
Retirements of Long-Term Liabilities	2,856,146
Adjustment for retirements attributable to Internal Service Funds	(261,980)
Increase in Long-Term Vacation Pay	(282,862)

Internal service funds are used to charge the costs of technology,
janitorial, and fleet maintenance costs to individual funds. The net
revenue of certain activities of the internal service funds are
reported with the governmental activities

414,729

Changes in net assets of governmental activities \$ 2,082,798

The accompanying notes are an integral part of the financial statements.

City of Jacksonville, North Carolina
General Fund Annually Budgeted Major Fund

Exhibit E

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2003

	<u>General Fund Budget - Original</u>	<u>General Fund Budget - Final</u>	<u>General Fund Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:				
Ad valorem taxes	\$ 10,241,868	\$ 10,388,891	\$ 10,548,669	\$ 159,778
Other taxes and licenses	8,980,467	9,598,772	9,539,578	(59,194)
Unrestricted intergovernmental revenues	31,967	2,092,614	2,097,237	4,623
Restricted intergovernmental revenues	2,121,382	2,018,156	2,166,286	148,130
Permits and fees	369,000	416,621	414,310	(2,311)
Sales and services	310,545	271,047	285,607	14,560
Investment earnings	476,000	155,500	216,230	60,730
Miscellaneous	107,500	106,160	117,053	10,893
Total revenues	<u>22,638,729</u>	<u>25,047,761</u>	<u>25,384,970</u>	<u>337,209</u>
Expenditures:				
Current:				
General government	6,001,008	5,700,570	4,653,130	1,047,440
Public works	4,389,679	4,751,999	3,815,852	936,147
Public safety	11,588,604	11,973,743	10,646,709	1,327,034
Environmental protection	2,350,028	2,393,209	2,170,986	222,223
Cultural and recreational	2,025,355	2,033,002	1,818,666	214,336
Debt service:				
Principal retirement	2,067,932	2,067,932	1,969,943	97,989
Interest and fees	853,978	853,978	336,904	517,074
Total expenditures	<u>29,276,584</u>	<u>29,774,433</u>	<u>25,412,190</u>	<u>4,362,243</u>
Revenues (under) expenditures	<u>(6,637,855)</u>	<u>(4,726,672)</u>	<u>(27,220)</u>	<u>4,699,452</u>
Other financing sources (uses):				
Appropriated fund balance	4,150,817	3,059,097		(3,059,097)
Proceeds from borrowing	1,225,263	1,228,263	1,228,263	
Sales of general capital assets	500,000	186,282	226,082	39,800
Transfers in	1,492,106	2,056,231	1,407,814	(648,417)
Transfers (out)	(730,331)	(1,803,201)	(1,779,105)	24,096
Total other financing sources	<u>6,637,855</u>	<u>4,726,672</u>	<u>1,083,054</u>	<u>(3,643,618)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 0</u>	<u>\$ 0</u>	1,055,834	<u>\$ 1,055,834</u>
Fund balances:				
Beginning of year, July 1			11,008,048	
End of year, June 30			<u>\$ 12,063,882</u>	

The accompanying notes are an integral part of the financial statements.

City of Jacksonville, North Carolina
Proprietary Funds
Statement of Net Assets
June 30, 2003

Exhibit F

	Enterprise Funds			
	Water and Sewer Fund	Non-Major Enterprise Fund	Total	Internal Service Funds
Assets				
Current Assets:				
Cash and investments	\$ 7,547,119	\$ 703,902	\$ 8,251,021	\$ 651,643
Accounts receivable (net)	918,345	89,521	1,007,866	1,191
Interfund receivables	41,729		41,729	124,573
Inventories	251,819		251,819	74,812
Total Current Assets	8,759,012	793,423	9,552,435	852,219
Restricted Assets:				
Cash and investments	3,682,467		3,682,467	260,269
Total Restricted Assets	3,682,467		3,682,467	260,269
Capital Assets:				
Land and other non-depreciable assets	355,105		355,105	2,758
Other capital assets, net of depreciation	62,272,134		62,272,134	1,068,740
Total Capital Assets (net)	62,627,239		62,627,239	1,071,498
Total Assets	75,068,718	793,423	75,862,141	2,183,986
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued liabilities	696,049	131,111	827,160	50,368
Interfund payable	19,844		19,844	4,329
Installment purchases payable - current	989,737		989,737	304,650
Loans payable - current	1,363,249		1,363,249	
Total Current Liabilities	3,068,879	131,111	3,199,990	359,347
Noncurrent Liabilities:				
Compensated absences payable	98,399		98,399	40,589
Unearned revenue	119,608		119,608	
Installment purchases payable - noncurrent	9,770,377		9,770,377	590,012
Loans payable - noncurrent	16,019,860		16,019,860	
Customer deposits	362,206		362,206	
Total Noncurrent Liabilities	26,370,450		26,370,450	630,601
Total Liabilities	29,439,329	131,111	29,570,440	989,948
Net Assets				
Invested in capital assets, net of related debt	38,166,483		38,166,483	176,836
Unrestricted	7,462,906	662,312	8,125,218	1,017,202
Total Net Assets	\$ 45,629,389	\$ 662,312	\$ 46,291,701	\$ 1,194,038

The accompanying notes are an integral part of the financial statements.

City of Jacksonville, North Carolina
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended June 30, 2003

Exhibit G

	Enterprise Funds			Internal Service Funds
	Water and Sewer Fund	Non-Major Enterprise Fund	Total	
Operating revenues:				
Charges for services	\$ 8,207,616	\$ 1,545,526	\$ 9,753,142	\$ 2,548,189
Total operating revenues	8,207,616	1,545,526	9,753,142	2,548,189
Operating expenses:				
Solid Waste Fund		1,445,894	1,445,894	
Water/Sewer Administration	979,232		979,232	
Water/Sewer Engineering	247,857		247,857	
Water/Sewer Metering	261,709		261,709	
Water/Sewer Lines Maintenance	1,251,001		1,251,001	
Water Supply	621,018		621,018	
Wastewater Treatment	1,319,862		1,319,862	
Fleet Maintenance Operations				788,682
City Hall Maintenance Operations				77,948
Information Technology Services Operations				979,851
Depreciation	3,883,221		3,883,221	289,805
Total operating expenses	8,563,900	1,445,894	10,009,794	2,136,286
Operating income (loss)	(356,284)	99,632	(256,652)	411,903
Nonoperating revenues (expenses):				
Investment earnings	180,632	10,408	191,040	12,721
Assessments collected	1,159		1,159	
Interest collected on assessments	247		247	
Gain (loss) on sale of fixed assets	290		290	6,761
State Clean Water Bond grant	94,932		94,932	
Miscellaneous revenue				12,771
Interest on long-term debt	(1,167,834)		(1,167,834)	(29,427)
Total nonoperating revenues (expenses)	(890,574)	10,408	(880,166)	2,826
Income (loss) before capital contributions and transfers	(1,246,858)	110,040	(1,136,818)	414,729
Capital contributions	834,441		834,441	
Income (loss) before transfers	(412,417)	110,040	(302,377)	414,729
Transfers:				
Transfers (out)	(397,460)		(397,460)	
Total transfers	(397,460)		(397,460)	
Change in Net Assets	(809,877)	110,040	(699,837)	414,729
Net Assets:				
Beginning of year, July 1	24,658,646	552,042	25,210,688	341,237
Reclassification (see Note 1)	21,780,620	230	21,780,850	438,072
Net Assets at beginning of year, July 1, restated	46,439,266	552,272	46,991,538	779,309
End of year, June 30	\$ 45,629,389	\$ 662,312	\$ 46,291,701	\$ 1,194,038

The accompanying notes are an integral part of the financial statements.

City of Jacksonville, North Carolina
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2003

Exhibit H

	Enterprise Funds			Internal Service Funds
	Water and Sewer Fund	Non-Major Enterprise	Total	
Cash flows from operating activities:				
Cash received from customers	\$ 8,157,599	\$ 1,556,081	\$ 9,713,680	\$
Cash receipts from quasi-external operating transactions				2,170,817
Cash payments for quasi-external operating transactions				(1,858,179)
Cash paid for goods and services	(2,147,009)	(1,406,969)	(3,553,978)	
Cash paid to employees	(2,487,913)	(30,008)	(2,517,921)	
Customer deposits	22,320		22,320	
Net cash provided by operating activities	3,544,997	119,104	3,664,101	312,638
Cash flows from noncapital financing activities:				
Contributions	94,932		94,932	
Transfers (out)	(397,460)		(397,460)	
Net cash used for noncapital related financing activities	(302,528)		(302,528)	
Cash flows from capital and related financing activities:				
Principal paid on long-term debt	(2,204,902)		(2,204,902)	(261,980)
Interest paid on long-term debt	(1,167,834)		(1,167,834)	(29,427)
Proceeds from borrowing	788,800		788,800	258,820
Purchase of capital assets	(2,287,512)		(2,287,512)	(415,667)
Proceeds from sale of assets	290		290	6,761
Assessments collected	1,159		1,159	
Interest collected on assessments	247		247	
Insurance proceeds				12,771
Net cash used for capital and related financing activities	(4,869,752)		(4,869,752)	(428,722)
Cash flows from investing activities:				
Interest earned on investment	180,632	10,408	191,040	12,721
Net cash provided by investing activities	180,632	10,408	191,040	12,721
Net increase (decrease) in cash and cash equivalents	(1,446,651)	129,512	(1,317,139)	(103,363)
Cash and cash equivalents, July 1	12,676,237	574,390	13,250,627	1,015,275
Cash and cash equivalents, June 30	<u>\$ 11,229,586</u>	<u>\$ 703,902</u>	<u>11,933,488</u>	<u>\$ 911,912</u>
Reconciliation to Exhibit F—				
Enterprise Fund:				
Cash and investments	\$ 8,251,021			
Restricted cash and investments	3,682,467			
	<u>\$ 11,933,488</u>			
Internal Service Fund:				
Cash and investments				\$ 651,643
Restricted cash and investments				260,269
				<u>\$ 911,912</u>

Continued on next page.

City of Jacksonville, North Carolina
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2003

Exhibit H,
continued.

	Enterprise Funds			Internal Service Funds
	Water and Sewer Fund	Non-Major Enterprise	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (356,284)	\$ 99,632	\$ (256,652)	\$ 411,903
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	3,883,221		3,883,221	289,805
Bad debt expense	27,625	(2,486)	25,139	
Change in assets and liabilities:				
Increase (decrease) in accrued vacation pay	(6,909)		(6,909)	6,097
(Increase) decrease in prepaid expenses				238
Increase (decrease) in accounts payable	69,201	11,403	80,604	(256,053)
(Increase) decrease in inventories	(49,215)		(49,215)	(13,973)
Increase (decrease) in interfund payables				251,993
Increase (decrease) in deferred revenues	(3,594)		(3,594)	
Increase (decrease) in customer deposits	22,320		22,320	
(Increase) decrease in accounts receivable	(4,694)	10,555	5,861	(1,191)
(Increase) decrease in interfund receivables	(36,674)		(36,674)	(376,181)
Total adjustments	3,901,281	19,472	3,920,753	(99,265)
Net cash provided by operating activities	\$ 3,544,997	\$ 119,104	\$ 3,664,101	\$ 312,638
Noncash investing, capital, and financing activities:				
Capital contributed by developers	\$ 834,441		\$ 834,441	
Gain (loss) on sale of capital assets	290		290	

The accompanying notes are an integral part of the financial statements.

City of Jacksonville, North Carolina
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2003

Exhibit I

	Special Separation Allowance Pension Trust
Assets	
Cash and investments	\$ 403,482
Interfund receivable	
Total Assets	<u>403,482</u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable	<u>4,069</u>
Total Liabilities	<u>4,069</u>
Net Assets:	
Assets held in trust for pension benefits	<u>399,413</u>
Total Net Assets	<u><u>\$ 399,413</u></u>

The accompanying notes are an integral part of the financial statements.

City of Jacksonville, North Carolina
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2003

Exhibit J

	<u>Special Separation Allowance Pension Trust Fund</u>
Additions:	
Employer contributions	\$ 115,644
Interest	<u>5,176</u>
Total additions	<u>120,820</u>
 Deductions:	
Benefits	<u>105,784</u>
Total deductions	<u>105,784</u>
Net increase	15,036
 Net assets reserved for employees' pension benefit:	
Beginning of year	<u>384,377</u>
End of year	<u><u>\$ 399,413</u></u>

The accompanying notes are an integral part of the financial statements.

City of Jacksonville, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2003

Note 1. Summary of Significant Accounting Policies

The financial statements of City of Jacksonville have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City is a municipal corporation governed by an elected mayor and a six-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and any component units for which the government is considered to be financially accountable. Based on these criteria no other entities have been included.

B. Basis of Presentation

Government-wide and Fund Financial Statements

The Government-wide Financial Statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly classified as program revenues are reported as general revenues.

Separate Fund Financial Statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds and major individual proprietary funds are reported in separate columns in the Fund Financial Statements.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Governmental Funds are used to account for the City's general governmental activities. The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, and state-shared revenues. The primary expenditures are for public safety, sanitation, parks and recreation, streets and highways, and general government services.

Capital Reserve Fund – The Capital Reserve Fund is established to accumulate funds to be used for future capital improvements. These capital improvements consist of construction and other capital projects. Funds are reserved to assist with municipal facilities, fire stations, recreational facilities, park improvements, land acquisition, transportation improvements, Council initiatives, and other capital projects.

Proprietary Funds include the following major fund:

Enterprise Fund - The Water and Sewer Fund accounts for the water and sewer activities of the City. The Water Capital Projects Fund, Sewer Capital Projects Fund and the Water/Sewer Capital Reserve Fund are consolidated with the Water and Sewer Fund (the operating fund) for financial reporting purposes.

Additionally, the government reports the following fund types:

Internal Service Funds - The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, on a cost-reimbursement basis. City of Jacksonville has three Internal Service Funds: the Fleet Maintenance Fund, the City Hall Maintenance Fund and the Information Technology Services Fund. The Information Technology Services Capital Project Fund is consolidated with the Information Technology Services Fund for financial reporting purposes. The Internal Service Funds are accounted for in the governmental activities in the government-wide financial statements and individual fund data is provided in the Internal Service Funds Section of the report.

Fiduciary Funds account for the assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Fiduciary Funds include the following fund:

Pension Trust Fund - Fiduciary fund types are custodial in nature and do not involve measurement of the City's operations. The City has a Pension Trust Fund, the Special Separation Allowance Fund, that accounts for the Law Enforcement Officers' Special Separation Allowance, a single-employer, public employee retirement system.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund Financial Statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Property taxes are recognized as revenues in the year for which they are levied.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

The City recognizes assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized on the modified accrual basis of accounting when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. The City generally considers all revenues available if they are collected within 60 days after year-end, except for property taxes. Ad valorem property taxes are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable are materially past due and are not considered to be an available resource to finance the operations of the current year. Therefore, the net receivable amount is offset by a deferred revenue. Also, as of January 1, 1993, state law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, Onslow County is responsible for billing and collecting the property taxes on all registered motor vehicles on behalf of all municipalities and special tax districts in the county. For those motor vehicles registered under the staggered system, property taxes are due the first day of the fourth month after the vehicles are registered. The billed taxes are applicable to the fiscal year in which they become due. Therefore, taxes for vehicles registered from March, 2002 through February, 2003 apply to the fiscal year ended June 30, 2003. Uncollected taxes that were billed during this period are shown as a receivable on these financial statements. Those taxes for vehicles registered from March 1 through the fiscal year-end apply to the fiscal year

2002-2003 and are not shown as receivables at June 30, 2003. For those motor vehicles registered under the annual system, taxes are due on May 1 of each year. For those vehicles registered and billed under the annual system, uncollected taxes are reported as a receivable on the financial statements and are offset by deferred revenues because the due date and the date upon which the interest begins to accrue both were prior to June 30. The taxes for vehicles registered annually that have already been collected as of year-end are also reflected as deferred revenues at June 30, 2003 because they are intended to finance the City's operations during the 2003-2004 fiscal year.

Those revenues susceptible to accrual are sales taxes collected and held by the State at year-end on behalf of the City, sales and services and investment earnings. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied. Other intergovernmental revenues are not susceptible to accrual because generally they are not measurable and available until received in cash.

The Proprietary Funds and Pension Trust Fund are presented in the financial statements on the accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when earned and expenses are recognized in the period when incurred. As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations and Pension Trust Fund.

The City reports deferred revenue on its balance sheet for governmental funds. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. Implementation of New Accounting Principles

➤ Governmental Accounting Standards Board Statement No. 34

The City adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* during the fiscal year ended June 30, 2003. This statement affects the manner in which the City records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the City's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets – The Statement of Net Assets is designed to display the financial position of the City (government and business-type activities). The City now reports all capital assets in the Government-wide Statement of Net Assets and reports depreciation expenses – the cost of "using up" capital assets – in the Statement of Activities. The net assets of the City are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities – The Government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function.

Accordingly, the City has recorded capital and certain other long-term assets and liabilities in the Statement of Net Assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the Statement of Activities.

➤ **Governmental Accounting Standards Board Statement No. 37**

The City adopted the provisions of GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. This statement amends GASB Statement No. 34 to either 1) clarify certain provisions or 2) modify other provisions that the GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when adopting the provisions of GASB Statement No. 34, as previously described.

➤ **Governmental Accounting Standards Board Statement No. 38**

The City adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB Statement No. 38.

➤ **Governmental Accounting Standards Board Interpretation No. 6**

The City adopted the provisions of GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This interpretation clarifies the application of standards for modified

accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or could arise, in interpretation and practice. This interpretation impacts the fund level financial statements (governmental funds only, not proprietary or fiduciary funds) required by GASB Statement No. 34 but has no direct impact on the Government-wide Financial Statements. Accordingly, the City has not recognized the current portion of certain long-term liabilities and related expenditures in the Governmental Fund Financial Statements for amounts not considered to be due and payable as of June 30, 2003.

E. Budgetary Data

The City's budgets are adopted as required by State Statute. An annual budget ordinance is adopted for the General Fund and operating Enterprise Funds. All annual appropriations lapse at fiscal year-end. Grant project ordinances are adopted for the Special Revenue Funds and project ordinances are adopted for the Capital Project Funds. The City's Internal Service Funds operate under an approved financial plan and not a budget ordinance. All budgets are prepared using the modified accrual basis of accounting, which is consistent with the accounting system used to record transactions.

Expenditures may not legally exceed appropriations at the functional level for the General Fund, Special Revenue Funds, Enterprise Funds, and at the fund level for the Capital Project Funds. A function is a group of related activities aimed at accomplishing a major service, such as public safety. The balances in the Capital Reserve Capital Project Fund will be appropriated and transferred to another Capital Project Fund in accordance with the project ordinance adopted for the reserve fund. The City Manager is authorized by the budget ordinance to transfer appropriations up to \$5,000; however, any revisions that exceed the \$5,000 at the functional level of the General Fund, Special Revenue Fund, Enterprise Funds and the fund level for the Capital Project Funds or revisions that alter total expenditures of any fund must be approved by the City Council.

During the year, several amendments to the original budget became necessary, the effects of which were not material.

A budget calendar is included in State law that prescribes the last day on which certain steps of the budget procedures are to be performed. The following schedule lists the tasks to be performed and the date by which each is required to be completed.

- | | |
|----------|---|
| April 30 | Each department head will transmit to the budget officer the departmental budget requests and revenue estimates for the budget year. |
| June 1 | The budget and the budget message shall be submitted to the governing board. The public hearing on the budget should be scheduled at this time. |
| July 1 | The budget ordinance shall be adopted by the governing board. |

As required by State law, the City's Internal Service Funds operate under a financial plan that was adopted by the governing board at the time the City's budget ordinance was approved. The financial plan also was entered into the minutes of the governing board. During the year, several changes to the original financial plan were necessary, the effects of which were not material.

F. Deposits and Investments

All deposits of the City are made in council-designated official depositories and are secured as required by G.S. 159-31. The City may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust, an SEC registered (2a-7) money market mutual fund.

The City's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT cash portfolio's securities are valued at fair value, which is the NCCMT's share price. Money market investments that have a remaining maturity at the time of purchase of one year or less and non-participating interest earnings and investment contracts are reported at amortized cost.

G. Cash and Cash Equivalents

The City pools moneys from several funds, except the Pension Trust Fund, to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

H. Restricted Assets

The unexpended Powell Bill and E-911 revenue is classified as restricted assets in governmental funds because its use is completely restricted by State law. Also, State and Federal Drug Enforcement assets are recorded as restricted assets since their use is restricted by law.

The unexpended debt proceeds in any fund are classified as restricted assets because their use is completely restricted to the purpose for which the notes were originally issued.

I. Ad Valorem Taxes Receivable and Unearned/Deferred Revenues

In accordance with State law [G.S. 105-347 and 159-13(a)], the City levies ad valorem taxes, except for ad valorem taxes on certain vehicles, on July 1, the beginning of the fiscal year. These taxes are due on September 1, the lien date; however, no interest or penalties are assessed until the following January 6. The current year's tax levy is based on the assessed values as of January 1, 2002.

Privilege licenses collected prior to the fiscal year to which they apply are recorded as unearned revenues. The noncurrent portion of special assessments receivable is recorded as a deferred revenue because the amount is not considered to be available at the end of the fiscal year.

J. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

K. Inventory

The inventories of the City's General Fund are valued at cost, using the average cost method. The inventory of the General Fund consists of fuel held for consumption. The cost is recorded as an expenditure when the inventory is consumed. The General Fund inventory reported on the Governmental Funds Balance Sheet is offset by a fund balance reserve that indicates it does not constitute a resource available for appropriation even though it is a component of net current assets.

The inventory of the Enterprise Funds and Internal Service Funds are valued at the lower of cost, using the first-in, first-out method, or market. The inventory consists of materials and supplies held for consumption. The cost is recorded as an expense when the inventory is consumed.

L. Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., roads, bridges, traffic signals, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-wide Financial Statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized.

Costs associated with construction in progress are recorded in their respective capital asset category upon approval by the City Council, which approximates the completion date.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. The estimated useful lives of depreciable assets are as follows:

Buildings	10 to 40 years
Improvements Other than Buildings	10 to 40 years
Equipment	3 to 10 years
Heavy Equipment	5 to 10 years
Vehicles	2 to 10 years
Infrastructure	10 to 40 years

M. Long-Term Obligations

In the Government-wide Financial Statements, and proprietary fund types in the Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums, discounts and issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the Fund Financial Statements, governmental fund types recognize bond premiums, discounts, and issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Net Assets/Fund Balances

In the Fund Financial Statements, reservations or restrictions of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

State law [G.S. 159-13(b)(16)] restricts appropriation of fund balance to an amount not to exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts as these amounts stand at the close of the fiscal year preceding the budget year.

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

The Governmental Funds classify fund balances as follows:

Reserved

Reserved by State statute - portion of fund balance, in addition to reserves for encumbrances and reserves for prepaids and inventories, which is not available for appropriation under State law [G.S. 159-13(b)(16)]. This amount is usually comprised of the receivable balances that are not offset by deferred revenues.

Reserved by grantor - portion of total fund balance reserved to pay for grant eligible activities.

Reserved for compensating balance - portion of fund balance not available for appropriation because it is part of an agreement for banking services in lieu of fees.

Reserved for encumbrances - portion of fund balance available to pay for commitments related to purchase orders and contracts that remained unperformed at year-end.

Reserved for inventories - portion of fund balance not available for appropriation because it represents the year-end balance of ending inventories, which are not expendable available resources.

Reserved for installment purchase - portion of fund balance available for appropriation that has been reserved for installment purchases not completed at year-end.

Reserved for Powell Bill - portion of total fund balance reserved to pay for street improvements.

Reserved for prepaid items - portion of total fund balance that indicates that prepaid items do not represent expendable available financial resources even though they are a component of net current assets.

Reserved for drug enforcement - portion of total fund balance available for appropriation that has been reserved for drug enforcement.

Reserved for Smithfield Grant - appropriation to pay for eligible grant expenses.

Unreserved

Designated for subsequent year's expenditures - portion of total fund balance available for appropriation that has been designated for the adopted 2002-2003 budget ordinance.

Undesignated - portion of total fund balance available for appropriation that is uncommitted at year-end.

O. Other Resources

The General Fund provides the basis of local resources for other governmental funds.

These transactions are recorded as "Transfers (out)" in the General Fund and "Transfers in" in the receiving fund in the Fund Financial Statements.

P. Compensated Absences

The vacation policy of the City provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences, and the salary-related payments, are recorded as the leave is earned.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City has no obligation for the accumulated sick leave until it is taken, no accrual for sick leave has been made.

Q. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (short-term interfund loans) or "advances to/from other funds" (long-term interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-wide Financial Statements as "internal balances."

Advances between funds, as reported in the Fund Financial Statements, are offset by a fund balance reserve account in the applicable governmental fund to indicate that they are not available for appropriation and are not expendable available financial resources.

R. Reclassification

Contributed Capital amounts presented in the prior year's data have been reclassified as net assets at the beginning of the year to be consistent with the current year's presentation.

Note 2. Deposits and Investments

Deposits

All the City's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the City's agents in the City's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in the City's name. The amount of the pledged collateral is based on an approved averaging method for

noninterest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City or with the escrow agent. Because of the inability to measure the exact amount of collateral pledged for the City under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method.

At year-end, the City's deposits had a carrying amount of \$3,238,725, which includes a \$52,000 compensating balance, and a bank balance of \$3,637,071. Of the bank balance, \$357,485 was covered by federal depository insurance and \$3,279,586 in interest-bearing deposits was covered by collateral held under the Pooling Method.

Investments

The City's investments are categorized to give an indication of the level of custodial risk assumed by the entity at year-end. Column A includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Column B includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Column C includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent, but not in the City's name. Investments in the North Carolina Capital Management Trust are exempt from risk categorization because the City does not own any identifiable securities but is a shareholder of a percentage of the fund.

The fair values as reflected below were determined from information provided to the City by an investment banker.

	Categories			Reported Value	Fair Value
	A	B	C		
Commercial Paper	\$ 6,935,703	\$	\$	\$ 6,935,703	\$ 6,945,000
US Government Securities		688,163		688,163	688,163
US Government Agencies	1,462,792			1,462,792	1,462,792
	<u>\$ 8,398,495</u>	<u>\$ 688,163</u>	<u>\$ 0</u>	<u>9,086,658</u>	<u>9,095,955</u>
NC Capital Management Trust-Cash Portfolio				31,318,565	31,318,565
Total Investments				<u>\$ 40,405,223</u>	<u>\$ 40,414,520</u>

Note 3. Receivables

Accounts receivables are presented net of allowance for uncollectibles in the accompanying financial statements. The receivables and applicable allowances for uncollectibles are as follows:

Funds	Gross Receivables	Allowance	Net Receivables
Governmental			
General	\$ 4,907,592	\$ 812,852	\$ 4,094,740
Capital Reserve	1,467		1,467
Non-Major	227,553		227,553
Total Governmental	<u>\$ 5,136,612</u>	<u>\$ 812,852</u>	<u>\$ 4,323,760</u>
Proprietary			
Water/Sewer	\$ 1,270,154	\$ 351,809	\$ 918,345
Non-Major	132,381	42,860	89,521
Total Proprietary	<u>\$ 1,402,535</u>	<u>\$ 394,669</u>	<u>\$ 1,007,866</u>
Internal Service	<u>\$ 1,191</u>	<u>\$</u>	<u>\$ 1,191</u>

The allowance for doubtful accounts in the General Fund accounts receivable arises from the probable uncollectibility of a claim against a former employee. The statute of limitations expired and the City filed a judgment; however, the perpetrator claims to own no property and have a limited income. Therefore, the probability of recovering any of the funds is remote.

Note 4. Capital Assets

Capital Asset activity for the year ended June 30, 2003, was as follows:

Primary Government

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,896,382	\$ 75,756	\$ (22,500)	\$ 1,949,638
Construction in progress	1,095,577	1,377,469	(262,840)	2,210,206
Total capital assets not being depreciated	2,991,959	1,453,225	(285,340)	4,159,844
Capital assets being depreciated:				
Buildings	10,490,022	70,794		10,560,816
Improvements other than buildings	3,052,244	400,692		3,452,936
Equipment	5,422,251	585,732	(69,815)	5,938,168
Heavy Equipment	655,507	33,300		688,807
Vehicles	8,381,900	915,335	(730,323)	8,566,912
Infrastructure	12,572,215	1,290,165		13,862,380
Total capital assets being depreciated	40,574,139	3,296,018	(800,138)	43,070,019
Less accumulated depreciation for:				
Buildings	(5,076,582)	(464,924)		(5,541,506)
Improvements other than buildings	(197,045)	(162,414)		(359,459)
Equipment	(3,473,341)	(967,094)	69,815	(4,370,620)
Heavy Equipment	(576,474)	(48,947)		(625,421)
Vehicles	(6,156,746)	(1,089,406)	728,977	(6,517,175)
Infrastructure	(6,029,097)	(568,883)		(6,597,980)
Total accumulated depreciation	(21,509,285)	(3,301,668)	798,792	(24,012,161)
Total capital assets being depreciated, net	19,064,854	(5,650)	(1,346)	19,057,858
Governmental activity capital assets, net	\$ 22,056,813	\$ 1,447,575	\$ (286,686)	\$ 23,217,702

(Continued on next page)

Capital Assets (continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 170,725			\$ 170,725
Construction in progress	3,180,601	957,454	(1,227)	4,136,828
Total capital assets not being depreciated	3,351,326	957,454	(1,227)	4,307,553
Capital assets being depreciated:				
Buildings	63,119,776	262,244		63,382,020
Improvements other than buildings	35,190,082	1,806,792		36,996,874
Equipment	509,602	49,961		559,563
Heavy Equipment	292,666	45,310		337,976
Vehicles	636,314	1,419	(24,325)	613,408
Total capital assets being depreciated	99,748,440	2,165,726	(24,325)	101,889,841
Less accumulated depreciation for:				
Buildings	(18,018,394)	(2,833,342)		(20,851,736)
Improvements other than buildings	(20,601,469)	(918,518)		(21,519,987)
Equipment	(373,981)	(42,750)		(416,731)
Heavy Equipment	(214,546)	(44,635)		(259,181)
Vehicles	(502,869)	(43,976)	24,325	(522,520)
Total accumulated depreciation	(39,711,259)	(3,883,221)	24,325	(43,570,155)
Total capital assets being depreciated, net	60,037,181	(1,717,495)	0	58,319,686
Business-type activities capital assets, net	<u>\$ 63,388,507</u>	<u>\$ (760,041)</u>	<u>\$ (1,227)</u>	<u>\$ 62,627,239</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 391,639
Public Works	730,926
Public Safety	1,524,536
Environmental Protection	162,081
Cultural and Recreational	488,384
Economic Development	4,102
Total depreciation expense - governmental activities	<u>\$ 3,301,668</u>
Business-type activities:	
Total depreciation expense - business-type activities (Water & Sewer Fund)	<u>\$ 3,883,221</u>

Construction Commitments

As of June 30, 2003, the City has active construction projects. The government's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Recreational Facilities	\$ 62,563	\$ 541,896
Police Remodeling	261	47,920
Water and Sewer Improvements	1,187,273	2,945,485
Total	\$ 1,250,097	\$ 3,535,301

Note 5. Pension Plan Obligations

A. Local Governmental Employees' Retirement System

Plan Description. City of Jacksonville contributes to the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS provides retirement and disability benefits to plan members and beneficiaries. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

Funding Policy. Plan members are required to contribute six percent of their annual covered salary. The City is required to contribute at an actuarially determined rate. The current rate for employees not engaged in law enforcement and for law enforcement officers is 4.80% and 4.64%, respectively, of annual covered payroll. The contribution requirements of members of the City of Jacksonville are established and may be amended by the North Carolina General Assembly. The City's contributions to LGERS for the years ended June 30, 2003, 2002, and 2001 were \$639,660, \$618,461, and \$591,499, respectively. The contributions made by the City equaled the required contributions for each year.

B. Law Enforcement Officers' Special Separation Allowance

Plan Description.

City of Jacksonville administers a public employee retirement system (the "Separation Allowance"), a single-employer defined benefit pension plan provides retirement benefits to the City's qualified sworn law enforcement officers. The Separation Allowance is equal to .85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S.

Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Separation Allowance is reported in the City's report as a pension trust fund and no stand-alone financial report is issued.

All full-time City law enforcement officers are covered by the Separation Allowance. At December 31, 2002, the Separation Allowance's membership consisted of:

Retirees receiving benefits	13
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>106</u>
Total	<u>119</u>

Summary of Significant Accounting Policies:

Basis of Accounting. Financial statements for the Separation Allowance are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and when the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Investments are reported at fair value.

Contributions.

The City is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned by making contributions based on actuarial valuations. For the current year, the City contributed \$115,644, or 2.5% of annual covered payroll. There were no contributions made by employees. The City's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly.

The annual required contribution for the current year was determined as part of the December 31, 2002 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return and (b) projected salary increases ranging from 5.9% to 9.8% per year. Item (b) included an inflation component of 3.75%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at December 31, 2002 was 28 years.

Annual Pension Cost and Net Pension Obligation. The City's annual pension cost and net obligation to the Separation Allowance for the current year were as follows:

Annual required contribution	\$ 115,644
Interest on net pension obligation	3,518
Adjustment to annual required contribution	<u>(3,518)</u>
Annual pension cost	115,644
Contributions made	<u>(115,644)</u>
Increase in net pension obligation	0
Net pension obligation beginning of year	<u>0</u>
Net pension obligation end of year	<u><u>\$ 0</u></u>

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/01	\$ 79,185	100%	\$ 0
6/30/02	\$ 108,525	100%	\$ 0
6/30/03	\$ 115,644	100%	\$ 0

C. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The City contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the City. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

Funding Policy. Article 12E of G.S. Chapter 143 requires the City to contribute each month an amount equal to five percent (5%) of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2003 were \$239,237, which consisted of \$173,701 from the City and \$65,536 from the law enforcement officers.

Note 6. Post-Employment Benefits

At retirement, all employees have the option to purchase basic medical insurance at the City's group rate. The entire cost of this insurance is borne by the employees. The City has elected to provide death benefits to employees through the Death Benefit Plan for Members of the Local Governmental Employees' Retirement System (Death Benefit

Plan), a State administered plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to his/her death, but the benefit may not exceed \$20,000. All death benefit payments are made from the Death Benefit Plan. The City has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly payroll, based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. Because the benefit payments are made by the Death Benefit Plan and not by the City, the City does not determine the number of eligible participants. For the fiscal year ended June 30, 2003, the City made contributions to the State for death benefits of \$18,907. The City's required contributions for employees not engaged in law enforcement and for law enforcement officers each represented .14% and .11% of covered payroll. The contributions to the Death Benefit Plan cannot be separated between the post employment benefit amount and the other benefit amount.

Note 7. Risk Management

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. City of Jacksonville is a participant in (i.e. transfers risk to) two insurance pools administered by the North Carolina League of Municipalities. One pool (IRFFNC) provides coverage for property damage and general liability (including auto and law enforcement officers). Major policies and their limits of coverage include: public officials (\$3 million) and law enforcement liability (\$3 million), vehicle liability (\$2 million), public employee scheduled and blanket bonds (\$400,000), boiler and machinery (\$5 million), general liability (\$2 million), builders risk (\$317,633), and municipal and computer equipment (\$1.2 million), and property (\$47.6 million). The other pool (NCRIMA) provides workers' compensation coverage up to statutory limits. The pools are reinsured through commercial companies for single occurrence losses in excess of \$500,000 for general liability and property damage, and single occurrence losses of \$300,000 for workers' compensation.

The City has established a risk management program to account for and finance its uninsured risks of loss for health insurance. Under this program, the risk management program provides coverage up to a maximum of \$70,000 for each individual claim.

The City purchases commercial insurance for individual claims in excess of \$70,000 and aggregate claims in excess of the greater of (a) the minimum annual aggregate deductible or (b) 100% of the first monthly aggregate deductible amount multiplied by twelve (12). Settled claims have not exceeded this commercial coverage in any of the last three fiscal years.

The City participates in the program and makes payments to the risk management program based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophe losses. Amounts withheld from employees and the City's general funds are available to pay claims, claim reserves and administrative costs for the program.

The claims liability of \$184,931 reported in the General Fund at June 30, 2003 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

Changes in the reported liability since July 1, 1995 were as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
1995-1996	\$ 13,712	\$ 771,447	\$ 785,159	\$ 0
1996-1997	-0-	1,215,353	1,142,493	72,860
1997-1998	72,860	899,775	1,041,786	69,151
1998-1999	69,151	1,043,337	1,079,565	32,923
1999-2000	32,923	1,277,966	1,107,989	202,900
2000-2001	202,900	1,461,322	1,435,202	229,020
2001-2002	229,020	1,381,641	1,547,044	63,617
2002-2003	63,617	1,402,910	1,281,596	184,931

The City carries commercial insurance for all other risks of loss. Settled claims resulting from their risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

Note 8. Claims and Judgments

At June 30, 2003, the City was a defendant to various lawsuits. In the opinion of the City's management and the City attorney, the ultimate effect of these legal matters will not have a material adverse effect on the City's financial position.

Note 9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

As of June 30, 2003, the City had a legal debt margin of \$131,105,246.

A. Installment Purchases

The City finances various property acquisitions under installment purchase agreements. Under these agreements, the assets acquired collateralize the debt. The financing contracts require principal payments with interest rates ranging from 3.035% to 5.85%. The installment purchase contracts payable at June 30, 2003, are comprised of the following individual contracts:

Serviced by the General Fund:

	Principal Balance June 30, 2003
\$196,164 installment agreement – for vehicles with BB&T dated January 21, 1999; remaining balance payable in 5 monthly payments of \$3,658 including interest at 4.03%.	\$ 18,109
\$440,802 installment agreement – for a fire truck with BB&T dated May 25, 1999 ; remaining balance payable in 9 monthly payments of \$8,225 including interest at 4.05%.	72,812
\$374,400 installment agreement – for vehicles with BB&T dated December 15, 1999; remaining balance payable in 16 monthly payments of \$7,074 including interest at 4.58%	109,624
\$690,168 installment agreement – for vehicles with BB&T dated November 27, 2000; remaining balance payable in 27 monthly payments of \$13,173 including interest at 5.03%	335,618
\$318,900 installment agreement – for police vehicles with BB&T dated November 27, 2000; remaining balance payable in 4 monthly payments of \$9,522 including interest at 5.03%	37,693
\$2,433,581 installment agreement – for vehicles and equipment with SunTrust Leasing dated November 14, 2001; remaining balance payable in 16 monthly payments of \$55,060 and then 23 monthly payments of \$30,910 including interest at 3.16%	787,216
\$2,066,000 installment agreement – for park projects with BB&T dated December 12, 2001; remaining balance payable in 41 monthly payments of \$34,433 principal plus interest at 3.59%	1,411,767
\$914,743 installment agreement – for the refinancing of the multi-purpose community recreation center with Bank of America dated December 28, 2001; remaining balance payable in 81 monthly payments of principal of \$9,240 plus interest at 4.41%.	748,426
\$1,065,493 installment agreement – for the refinancing of a fire station with Bank of America dated December 28, 2001; remaining balance payable in 69 monthly payments of \$12,247 principal plus interest at 4.41%	845,046
\$5,000,000 installment agreement – for City Hall Expansion with Bank of America dated December 9, 2002; remaining balance payable in 173 equal principal payments of \$27,778 not including interest of 3.95%	4,805,556
\$1,228,263 installment agreement -- for vehicles and equipment with SunTrust Leasing dated December 27, 2002; remaining balance payable in 24 monthly payments of \$41,428 and then 22 monthly payments of \$11,370 including interest at 2.49%	1,028,523
Total	\$ 10,200,390

The future minimum payments of the installment purchases payable as of June 30, 2003, including \$1,778,689 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 2,090,772	\$ 352,895	\$ 2,443,667
2005	1,760,795	281,382	2,042,177
2006	1,388,407	223,181	1,611,588
2007	893,981	179,154	1,073,135
2008	476,320	142,891	619,211
2009-2013	2,117,890	468,234	2,586,124
2014-2018	1,472,225	130,952	1,603,177
Total	<u>\$ 10,200,390</u>	<u>\$ 1,778,689</u>	<u>\$ 11,979,079</u>

Serviced by the Water and Sewer Fund:

	<u>Principal Balance June 30, 2003</u>
\$105,600 installment agreement – for vehicles with BB&T dated December 15, 1999; due in 16 monthly installments of \$1,995 including interest at 4.58%.	\$ 30,929
\$5,823,000 installment agreement – for construction of sewer lines with Bank of America dated December 8, 2000 and amended December 28, 2001; remaining balance payable in 162 monthly payments of \$43,193 including interest at 4.6%	5,203,707
\$88,282 installment agreement – for vehicles and equipment with SunTrust Leasing dated November 14, 2001; remaining balance payable in 39 monthly payments of \$1,769 including interest at 3.16%.	56,537
\$5,461,956 installment agreement – for refinancing of the waste water treatment facilities with Bank of America dated December 28, 2001; remaining balance payable in 96 monthly payments of \$59,196 including interest at 4.50%.	4,722,737
\$188,800 installment agreement -- for vehicles and equipment with SunTrust Leasing dated December 27, 2002; remaining balance payable in 29 monthly payments of \$3,504 and 33 monthly payments of \$3,236 including interest at 2.49%	166,563
\$600,000 installment agreement -- for renovation of sewer headworks and upgrades for automatic meter reading with Bank of America dated May 1, 2003; remaining balance payable in 57 monthly payments of \$10,734 including interest at 2.28%	579,640
Total	<u>\$ 10,760,113</u>

The future minimum payments of the installment purchases payable as of June 30, 2003, including \$2,740,069 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 989,737	\$ 455,044	\$ 1,444,781
2005	1,013,438	412,012	1,425,450
2006	1,044,647	369,224	1,413,871
2007	1,075,512	324,862	1,400,374
2008	1,058,307	279,919	1,338,226
2009-2013	3,906,003	757,440	4,663,443
2014-2018	1,672,470	141,568	1,814,038
Total	<u>\$ 10,760,114</u>	<u>\$ 2,740,069</u>	<u>\$ 13,500,183</u>

Serviced by the Fleet Maintenance Fund:

**Principal Balance
June 30, 2003**

\$23,500 installment agreement – for a vehicle with BB&T dated December 15, 1999; remaining balance payable in 16 monthly payments of \$444 including interest at 4.58%

\$ 6,871

The future minimum payments of the installment purchases payable as of June 30, 2003, including \$227 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 5,123	\$ 210	\$ 5,333
2005	1,748	17	1,765
Total	<u>\$ 6,871</u>	<u>\$ 227</u>	<u>\$ 7,098</u>

Serviced by the Information Technology Services Fund:

**Principal Balance
June 30, 2003**

\$1,023,845 installment agreement – for equipment with SunTrust Leasing dated November 14, 2001; remaining balance payable in 39 monthly payments of \$1,769 including interest at 3.16%.

\$ 678,007

\$258,820 installment agreement -- for equipment with Suntrust Leasing dated December 27, 2002; remaining balance payable in 52 installments consisting of 29 monthly payments of \$7,405 and 23 monthly payments of \$6,311 including interest at 2.49%

209,785

Total

\$ 887,792

The future minimum payments of the installment purchases payable as of June 30, 2003, including \$42,096 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 299,527	\$ 22,579	\$ 322,106
2005	292,935	13,743	306,678
2006	242,091	5,478	247,569
2007	52,988	294	53,282
2008	251	2	253
Total	<u>\$ 887,792</u>	<u>\$ 42,096</u>	<u>\$ 929,888</u>

Serviced by the E-911 Fund:

**Principal Balance
June 30, 2003**

\$1,254,792 installment agreement – for 800 MHz communication equipment with Bank of America dated December 8, 2000; remaining balance payable in 90 monthly payments of \$13,520 including interest at 5.34%.

\$ 1,000,606

The future minimum payments of the installment purchases payable as of June 30, 2003, including \$223,275 of interest, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 111,364	\$ 50,874	\$ 162,238
2005	117,596	44,642	162,238
2006	124,031	38,206	162,237
2007	130,819	31,419	162,238
2008	137,915	24,322	162,237
2009-2013	378,881	33,812	412,693
Total	<u>\$ 1,000,606</u>	<u>\$ 223,275</u>	<u>\$ 1,223,881</u>

For all installment agreements, the items purchased serve as collateral for the debt.

B. Loans Payable

Water and Sewer Fund:

	<u>Principal Balance June 30, 2003</u>
\$15,000,000 State Revolving Fund Loan dated June 30, 1996, due in 13 annual installments of \$750,000 each; interest at 3.57%	\$ 9,750,000
\$5,000,000 State Bond Loan dated April 1, 1996, due in 13 annual installments of \$250,000 each; interest at 5.85%	3,250,000
\$2,836,415 Sanitary Sewer Revolving Loan dated February 11, 1998, due in 14 annual installments of \$141,820.75 each; interest at 3.035%	1,985,490
\$3,000,000 Sanitary Sewer Revolving Loan dated February 11, 1998, due in 14 annual installments of \$150,000 each; interest at 3.035%	2,100,000
\$500,000 Jones-Onslow EMC loan – for development and infrastructure facilities dated March 5, 1999; remaining balance payable in 50 monthly payments of \$5,592 with no interest.	297,620
Total	<u><u>\$ 17,383,110</u></u>

The future minimum payments of the installment purchases payable as of June 30, 2003, including \$4,553,409 of interest, are as follows:

Year Ending June 30	Principal	Interest	Total
2004	\$ 1,363,249	\$ 651,146	\$ 2,014,395
2005	1,363,249	601,217	1,964,466
2006	1,363,249	550,361	1,913,610
2007	1,363,249	500,284	1,863,533
2008	1,303,726	450,336	1,754,062
2009-2013	6,459,104	1,496,504	7,955,608
2014-2018	4,167,284	303,561	4,470,845
Total	<u><u>\$ 17,383,110</u></u>	<u><u>\$ 4,553,409</u></u>	<u><u>\$ 21,936,519</u></u>

C. Changes in General Long-Term Liabilities – Governmental Activities

Long-term liability activity for Governmental Activities for the year ended June 30, 2003, is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
Installment purchases	\$ 7,946,212	\$ 6,487,083	\$ 2,337,639	\$ 12,095,656	\$ 2,506,786
Vacation pay	1,197,103	294,965	518,507	973,561	97,381
Total	<u>\$ 9,143,315</u>	<u>\$ 6,782,048</u>	<u>\$ 2,856,146</u>	<u>\$ 13,069,217</u>	<u>\$ 2,604,167</u>

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
By purpose					
General government	\$	\$ 5,000,000	\$ 194,445	\$ 4,805,555	\$ 333,333
Fire equipment	1,344,248	49,200	302,049	1,091,399	289,351
Police equipment	2,096,574	714,266	678,982	2,131,858	675,008
Recreation	2,703,688	106,000	536,163	2,273,525	544,826
Streets	394,299	123,000	125,870	391,429	140,854
Sanitation equipment	509,580	235,797	238,150	507,227	218,764
Fleet Maintenance	11,764		4,893	6,871	5,123
Information Technology					
Services	886,059	258,820	257,087	887,792	299,527
Vacation pay	1,197,103	294,965	518,507	973,561	97,381
Total	<u>\$ 9,143,315</u>	<u>\$ 6,782,048</u>	<u>\$ 2,856,146</u>	<u>\$ 13,069,217</u>	<u>\$ 2,604,167</u>

D. Changes in General Long-Term Liabilities – Business-Type Activities

Long-term liability activity for Business-Type Activities for the year ended June 30, 2003, is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
Loans	\$ 18,746,359	\$	\$ 1,363,249	\$ 17,383,110	\$ 1,363,249
Installment purchases	10,812,966	788,800	841,653	10,760,113	989,737
Vacation pay	105,309	27,126	34,036	98,399	
Total	<u>\$ 29,664,634</u>	<u>\$ 815,926</u>	<u>\$ 2,238,938</u>	<u>\$ 28,241,622</u>	<u>\$ 2,352,986</u>

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion of Balance
By purpose					
Lines Maintenance	\$ 33,721	\$ 188,800	\$ 31,984	\$ 190,537	\$ 48,254
Sewer	29,525,604	600,000	2,172,918	27,952,686	2,304,732
Vacation pay	105,309	27,126	34,036	98,399	
Total	<u>\$ 29,664,634</u>	<u>\$ 815,926</u>	<u>\$ 2,238,938</u>	<u>\$ 28,241,622</u>	<u>\$ 2,352,986</u>

Note 10. Interfund Receivables and Payables

Due to the General Fund for debt service payments from:

Special Revenue Funds	\$ 19,749
Internal Service Funds	4,329
Capital Project Funds	<u>7,837</u>
Total	<u>\$ 31,915</u>

Due to the Special Revenue Funds for health insurance premium refund from:

General Fund	<u>\$ 7,086</u>
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Due to the Water and Sewer Fund for health insurance premium refund from:

General Fund	<u>\$ 41,729</u>
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Due to the Internal Service Funds for allocation of cost from the Fleet Maintenance Fund:

General Fund	\$ 104,336
Special Revenue Funds	393
Water and Sewer Fund	<u>19,844</u>
Total	<u>\$ 124,573</u>

Note 11. Deferred Revenues

The balance in deferred revenues at year-end is composed of the following elements:

	<u>Deferred Revenue</u>	<u>Unearned Revenue</u>
General Fund		
Prepaid taxes not yet earned	\$	\$ 81,146
Taxes receivable (net)	782,643	
Sturgeon City		50
Police Department Venture Crew		2,746
Police donations-grants		55
Youth Council		459
Hall of Fame		3,668
Recreation fees not yet earned		1,517
Tree fund donations not yet earned, included in restricted assets		2,810
Beirut memorial donations not yet earned, included in restricted assets		2,354
Privilege licenses for next year		286,713
Utility franchise tax	240,151	
Beer and wine tax	80,579	
	<u>\$ 1,103,373</u>	<u>\$ 381,518</u>
Proprietary Fund		
PILOT revenues not yet earned		\$ 11,691
Special assessments receivable		107,917
		<u>\$ 119,608</u>

Note 12. Intergovernmental Assistance Programs

City of Jacksonville is an entitlement City for Community Development Block Grant funds. The City is required to administer the program and provide staff necessary to ensure compliance with Grant stipulations.

Note 13. Interfund Transfers

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as operating transfers, and are reported as other financing sources (uses) in the Governmental funds and nonoperating revenues (expenses) in the Proprietary funds. Transfers within fund types have been eliminated.

Interfund transfers for the year ended June 30, 2003 are as follows:

Transfers out:	Transfers in:				Total
	Major General	Major Capital Reserve	Non-Major Special Revenue	Non-Major Capital Projects	
Major General Fund	\$ -	\$ -	\$ 122,054	\$ 1,657,051	\$ 1,779,105
Major Capital Reserve	843,690	-	-	819,050	1,662,740
Major Water and Sewer	397,460	-	-	-	397,460
Non-Major Special Revenue	166,463	-	-	-	166,463
Non-Major Capital Projects	201	1,225	-	-	1,426
Total transfers out	\$ 1,407,814	\$ 1,225	\$ 122,054	\$ 2,476,101	\$ 4,007,194

Transfers consist primarily of the following:

- \$843,690 From Capital Reserve to General Fund for debt retirement.
- \$397,460 From Water and Sewer to General Fund which in turn was transferred to Non-Major Capital Projects for rebuilding streets made necessary by the installation of sewer lines in a newly annexed area.
- \$819,050 From Capital Reserve to Non-Major Capital Projects
- \$924,470 From General Fund to Street Improvements Capital Project (Non-Major Capital Projects)

Note 14. Jointly Governed Organizations

The City, in conjunction with Camp Lejeune Marine Corps Base, Onslow County, and the other five municipalities within the county, established the Onslow Water and Sewer Authority (ONWASA). The ONWASA mission is to provide sewer availability to all Onslow County residents. The ONWASA's board is comprised of two members from the City, two members from the County and one member from each of the five municipalities. ONWASA is currently in the organizational stage, and at this point in time the City has elected to be a wholesale member and not a full service member of ONWASA. The City's funding for FY2002-2003 was \$140,133.

The City, in conjunction with Onslow County, established the Jacksonville-Onslow Sports Commission. The purpose of the Commission is to coordinate all sporting events and tournaments in the County, striving to reduce scheduling major events on

the same weekend. The City and County each fund one-half of the cost for this organization. The City's funding for FY2002-2003 was \$35,000.

The City, in conjunction with Onslow County and Y.O.U. Inc dba Committee of One Hundred, established an Economic Development Program. The purpose of this organization is to guide the growth in all of Onslow County by encouraging the expansion of local industry and the development of new jobs. The City and County each fund one-half of the cost for this organization. The City's funding for FY2002-2003 was \$46,200.

Note 15. Summary Disclosure of Significant Contingencies

Audits of Federal and State Grants

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Federal and State financial assistance audits could result in the refund of grant money to the grantor agencies. Management believes that any required refunds from audit of other federal and State financial assistance will be immaterial. No provision has been made in the accompanying financial statements for the possible refund of grant money.



Required Supplemental Financial Data

This section contains additional information required by generally accepted accounting principles.

Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance

Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

Notes to the Required Schedules for the Law Enforcement Officers' Special Separation Allowance

City of Jacksonville, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Funding Progress

Exhibit K

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/94	\$ 227,862	\$ 371,767	\$ 143,905	61.29 %	\$ 2,369,419	6.07 %
12/31/95	234,628	446,733	212,105	52.52	2,446,787	8.67
12/31/96	264,687	519,331	254,644	50.97	2,527,502	10.07
12/31/97	288,909	674,134	385,225	42.86	2,872,507	13.41
12/31/98	322,942	730,303	407,361	44.22	2,880,521	14.14
12/31/99	351,546	767,213	415,667	45.82	3,211,861	12.94
12/31/00	325,298	1,151,766	826,468	28.24	3,447,476	23.97
12/31/01	328,295	1,290,178	961,883	25.45	3,290,310	29.23
12/31/02	393,883	1,317,283	923,400	29.90	3,413,422	27.05

City of Jacksonville, North Carolina
Law Enforcement Officers' Special Separation Allowance
Required Supplementary Information
Schedule of Employer Contributions

Exhibit L

Year Ended June 30,	Annual Required Contributions	Percentage Contributed
1993	\$33,350	126 %
1994	32,620	98
1995	36,489	112
1996	47,468	130
1997	47,468	111
1998	52,850	129
1999	68,184	107
2000	72,776	33
2001	79,185	100
2002	108,525	100
2003	115,644	100

Notes to the Required Schedules:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	12/31/2002
Actuarial cost method	Projected unit credit
Amortization method	Level dollar amount closed
Remaining amortization period	28 Years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases *	Ranging from 5.9% to 9.8%
* Includes inflation at	3.75%
Cost-of-living adjustments	None



Major Funds

- General Fund
- Capital Reserve Fund



The General Fund

The General Fund accounts for resources traditionally associated with government that are not required to be accounted for in other funds.



City of Jacksonville, North Carolina
General Fund
Comparative Balance Sheets
June 30, 2003 and 2002

Statement 1

	<u>2003</u>	<u>2002</u>
Assets		
Current Assets:		
Cash and investments	\$ 9,527,746	\$ 8,428,185
Taxes receivable (net)	782,643	774,085
Accounts receivable (net)	3,312,097	2,728,381
Interfund receivables	31,915	23,944
Inventories	4,033	3,410
Prepaid items	7,034	4,584
Total Current Assets	<u>13,665,468</u>	<u>11,962,589</u>
Restricted Assets:		
Cash and investments	<u>2,634,224</u>	<u>1,793,030</u>
Total Restricted Assets	<u>2,634,224</u>	<u>1,793,030</u>
Total Assets	<u><u>\$ 16,299,692</u></u>	<u><u>\$ 13,755,619</u></u>
Liabilities and Fund Balances		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,892,155	\$ 1,163,606
Interfund payable	153,151	48,525
Compensated absences payable	<u>56,792</u>	<u>345,749</u>
Total Current Liabilities	<u>2,102,098</u>	<u>1,557,880</u>
Noncurrent Liabilities:		
Deferred revenue	1,103,373	1,029,465
Unearned revenue	381,518	102,268
Customer deposits	<u>648,821</u>	<u>57,958</u>
Total Noncurrent Liabilities	<u>2,133,712</u>	<u>1,189,691</u>
Total Liabilities	<u>4,235,810</u>	<u>2,747,571</u>
Fund Balances:		
Fund Balance - Reserved:		
Reserved for compensating balance	52,000	52,000
Reserved for encumbrances	711,614	324,830
Reserved by state statute	3,022,419	2,752,259
Reserved for inventory	4,033	3,410
Reserved for installment purchase	947,441	663,608
Reserved for Powell Bill	573,754	851,825
Reserved for prepaid items	7,034	4,584
Reserved for drug enforcement	<u>404,348</u>	<u>164,955</u>
Total Reserved	<u>5,722,643</u>	<u>4,817,471</u>
Fund Balance - Unreserved/Designated:		
Designated for subsequent year's expenditures	<u>2,715,802</u>	<u>4,150,817</u>
Total Unreserved/Designated	<u>2,715,802</u>	<u>4,150,817</u>
Undesignated	<u>3,625,437</u>	<u>2,039,760</u>
Total Fund Balances	<u>12,063,882</u>	<u>11,008,048</u>
Total Liabilities and Fund Balances	<u><u>\$ 16,299,692</u></u>	<u><u>\$ 13,755,619</u></u>

City of Jacksonville, North Carolina
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2003
With Comparative Totals for the Fiscal Year Ended June 30, 2002

Statement 2
Page 1 of 7

	2003			2002
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Ad valorem taxes:				
Current year (net of discounts)	\$ 10,111,891	\$ 10,249,354	\$ 137,463	\$ 10,081,057
Prior years	231,000	245,552	14,552	193,167
Penalties and interest	46,000	53,763	7,763	50,738
Total	10,388,891	10,548,669	159,778	10,324,962
Other taxes and licenses:				
CATV franchise tax	300,000	316,994	16,994	331,135
Privilege licenses	433,305	433,023	(282)	412,046
Intangibles tax				195,778
Local option sales tax	3,260,239	3,302,592	42,353	3,173,933
One-half cent sales tax (2003)	600,000	804,898	204,898	
One-half cent sales tax (1983)	2,477,858	2,313,762	(164,096)	2,350,149
One-half cent sales tax (1986)	2,457,370	2,295,508	(161,862)	2,329,108
Gross receipt on short term vehicle tax	70,000	72,801	2,801	77,067
Total	9,598,772	9,539,578	(59,194)	8,869,216
Unrestricted intergovernmental revenues:				
Inventory tax reimbursement				137,247
Utility franchise tax	1,759,603	1,779,306	19,703	893,689
Beer and wine tax	300,000	280,147	(19,853)	
Food stamp tax reimbursement				36,950
Payment in lieu of taxes (PILOT)	4,044	4,044		3,067
State Owned Buildings Fire Protection	967	967		967
ABC revenue	28,000	32,773	4,773	30,595
Total	2,092,614	2,097,237	4,623	1,102,515
Restricted intergovernmental revenues:				
State – street-aid allocation	1,776,331	1,776,331		1,867,262
State – C.A.M.A. Permits		92	92	
State – 104F transportation grant	173,250	95,665	(77,585)	170,686
State – Hurricane Fran (FEMA)				30,281
State – Hurricane Floyd (FEMA)				59,415
State – Section 5305 grant	25,000	20,000	(5,000)	20,000
State – Wellness Incentive grant	3,000		(3,000)	3,000
State – 5305 grant funds	2,500	2,500		
State – Arts Council	650	650		626
Local – juvenile transportation	1,800	2,105	305	1,558
Local – joint drug task force	32,000	268,529	236,529	48,720
Local – EAP ongoing grant	3,000		(3,000)	
Local – NCLM Safety grant	625	414	(211)	625
Local – Youth Council				203
Total	2,018,156	2,166,286	148,130	2,202,376

City of Jacksonville, North Carolina
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2003
With Comparative Totals for the Fiscal Year Ended June 30, 2002

Statement 2
Page 2 of 7

	2003			2002
	Budget	Actual	Variance Positive (Negative)	Actual
Permits and fees:				
Taxi permits	\$ 15,000	\$ 18,743	\$ 3,743	\$ 10,705
Development review fees	27,500	31,436	3,936	18,977
Inspection fees	367,121	356,431	(10,690)	339,260
Erosion control fees	7,000	7,700	700	650
Total	416,621	414,310	(2,311)	369,592
Sales and services:				
Utility patching service	15,000	14,180	(820)	30,302
Refuse collection fees	43,000	47,499	4,499	47,728
Space rent	15,345	15,345		15,345
Recreation fees	182,702	199,176	16,474	195,881
Recreation concession	14,000	8,468	(5,532)	10,746
Photocopy and map sales	700	567	(133)	9,337
Credit reports	300	372	72	
Total	271,047	285,607	14,560	309,339
Investment earnings:				
Investment earnings	135,000	196,093	61,093	378,221
Investment earnings - drug enforcement	1,500	2,126	626	2,225
Investment earnings - Powell Bill	19,000	18,011	(989)	22,329
Total	155,500	216,230	60,730	402,775
Miscellaneous:				
Police court fees	23,000	20,798	(2,202)	35,630
Parking fines	300	171	(129)	138
Program income - Powell Bill	1,200	930	(270)	2,347
Miscellaneous	81,660	95,154	13,494	85,586
ICMA				23,368
Worker's compensation				10
Total	106,160	117,053	10,893	147,079
Total revenues	25,047,761	25,384,970	337,209	23,727,854
Expenditures:				
General government				
Mayor and Council				
Salaries and employee benefits		35,496		32,557
Operating expenses		32,706		39,652
Other departmental expenses		999		
Total		69,201		72,209
City Manager				
Salaries and employee benefits		251,218		278,865
Operating expenses		39,182		44,972
Contracted services		17,962		11,456
Other departmental expenses		45,904		39,739
Capital outlay				8,541
Total		354,266		383,573

City of Jacksonville, North Carolina
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2003
With Comparative Totals for the Fiscal Year Ended June 30, 2002

Statement 2
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	2003			2002
	Budget	Actual	Variance Positive (Negative)	Actual
Human Resources				
Salaries and employee benefits	\$	\$ 135,962	\$	\$ 124,227
Operating expenses		100,898		88,502
Contracted services				8,283
Other departmental expenses		35,029		21,794
Capital outlay				4,086
Total		271,889		246,892
City Clerk				
Salaries and employee benefits		64,510		38,861
Operating expenses		11,708		13,065
Contracted services		4,516		
Other departmental expenses		23,533		10,897
Capital outlay				1,329
Total		104,267		64,152
Elections				
Contracted services				6,250
Total				6,250
Finance				
Salaries and employee benefits		357,436		346,405
Operating expenses		139,913		128,460
Maintenance and repairs		66		402
Contracted services		172,029		197,788
Other departmental expenses		186,639		70,829
Capital outlay				5,933
Total		856,083		749,817
Legal				
Salaries and employee benefits		63,240		
Operating expenses		9,174		7,575
Contracted services		10,183		47,306
Total		82,597		54,881
Planning				
Salaries and employee benefits		203,163		228,305
Operating expenses		22,204		27,026
Contracted services		61,812		
Other departmental expenses		58,866		32,690
Capital outlay		15,847		5,011
Total		361,892		293,032
Transportation				
Salaries and employee benefits		98,119		90,431
Operating expenses		3,016		4,817
Contracted services		50,000		128,379
Other departmental expenses		27,433		10,897
Capital outlay				5,242
Total		178,568		239,766

City of Jacksonville, North Carolina
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2003
With Comparative Totals for the Fiscal Year Ended June 30, 2002

Statement 2
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	2003			2002
	Budget	Actual	Variance Positive (Negative)	Actual
Non-departmental				
Salaries and employee benefits	\$	\$	\$	\$
Operating expenses		180,415		156,497
Maintenance and repairs				495
Contracted services		5,220		1,297
Reserve for insurance deductible		145,750		
Miscellaneous payments		247,444		196,263
Payment to Onslow County		1,789,016		329,711
Bad debts		6,522		1,621,627
Total		2,374,367		2,305,890
Total general government	5,700,570	4,653,130	1,047,440	4,416,462
Public works				
Inspections				
Salaries and employee benefits		614,474		566,195
Operating expenses		57,857		57,861
Contracted services		12,191		552
Other departmental expenses		97,457		54,484
Capital outlay		15,847		22,198
Total		797,826		701,290
Administration				
Salaries and employee benefits		40,493		69,928
Operating expenses		7,766		8,044
Other departmental expenses		8,346		10,897
Total		56,605		88,869
Engineering				
Salaries and employee benefits		169,162		187,720
Operating expenses		14,689		11,673
Contracted services		17,672		28,887
Other departmental expenses		31,452		16,345
Street lighting		296,218		294,010
Capital outlay		14,361		
Total		543,554		538,635
Maintenance				
Salaries and employee benefits		416,176		421,587
Operating expenses		83,563		105,945
Utilities		10,765		7,077
Maintenance and repairs		2,629		8,858
Contracted services		79,124		73,020
Other departmental expenses		51,536		10,897
Capital outlay		6,000		21,000
Total		649,793		648,384

City of Jacksonville, North Carolina
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2003
With Comparative Totals for the Fiscal Year Ended June 30, 2002

Statement 2
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	2003			2002
	Budget	Actual	Variance Positive (Negative)	Actual
Streets - Powell Bill				
Salaries and employee benefits	\$	\$ 732,399	\$	\$ 663,406
Operating expenses		259,684		341,245
Maintenance and repairs		6,545		8,842
Contracted services		34,162		32,700
Capital outlay				1,568
Total		1,032,790		1,047,761
Streets - non-Powell Bill				
Salaries and employee benefits		321,277		336,425
Operating expenses		121,798		135,065
Utilities		4,295		10,638
Maintenance and repairs		3,040		2,078
Contracted services		28,536		21,222
Other departmental expenses		49,787		27,242
Mosquito control		27,337		39,823
Capital outlay		179,214		82,510
Total		735,284		655,003
Total public works	4,751,999	3,815,852	936,147	3,679,942
Public safety				
Police				
Salaries and employee benefits		5,025,858		4,940,554
Employer contribution to separation allowance trust fund		115,644		108,525
Operating expenses		626,895		578,814
Utilities		26,694		25,913
Maintenance and repairs		25,563		30,313
Contracted services		16,685		17,578
Other departmental expenses		523,464		250,626
Drug enforcement		31,261		16,529
Capital outlay		524,294		1,055,642
Total		6,916,358		7,024,494
Animal control				
Operating expenses				435
Total				435

City of Jacksonville, North Carolina
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2003
With Comparative Totals for the Fiscal Year Ended June 30, 2002

Statement 2
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	2003			2002
	Budget	Actual	Variance Positive (Negative)	Actual
Fire				
Salaries and employee benefits	\$	\$ 3,146,835	\$	\$ 3,116,923
Operating expenses		257,414		247,869
Utilities		54,192		46,677
Maintenance and repairs		18,905		30,176
Contracted services		7,910		20,648
Other departmental expenses		202,107		54,484
Capital outlay		42,988		165,683
Total		3,730,351		3,682,460
Total public safety	11,973,743	10,646,709	1,327,034	10,707,389
Environmental protection				
Sanitation				
Salaries and employee benefits		1,129,210		1,084,178
Operating expenses		269,301		238,466
Utilities		3,070		3,108
Maintenance and repairs		1,442		2,244
Contracted services		610,551		674,273
Other departmental expenses		24,501		16,345
Capital outlay		132,911		116,903
Total environmental protection	2,393,209	2,170,986	222,223	2,135,517
Cultural and recreational				
Recreation				
Salaries and employee benefits		955,649		924,205
Operating expenses		305,124		255,363
Utilities		153,842		138,334
Maintenance and repairs		44,378		52,123
Contracted services		114,209		9,036
Other departmental expenses		142,869		59,932
Capital outlay		102,595		50,330
Total cultural and recreational	2,033,002	1,818,666	214,336	1,489,323
Debt service				
Principal retirements	2,067,932	1,969,943	97,989	1,412,664
Interest and fees	853,978	336,904	517,074	244,853
Total debt service	2,921,910	2,306,847	615,063	1,657,517
Total expenditures	29,774,433	25,412,190	4,362,243	24,086,150
Revenues over (under) expenditures	(4,726,672)	(27,220)	4,699,452	(358,296)

City of Jacksonville, North Carolina
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2003
With Comparative Totals for the Fiscal Year Ended June 30, 2002

Statement 2
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	2003			2002
	Budget	Actual	Variance Positive (Negative)	Actual
Other financing sources (uses):				
Proceeds from borrowing	\$ 1,228,263	\$ 1,228,263	\$	\$ 1,409,736
Appropriated fund balance	3,059,097		(3,059,097)	
Sales of general fixed assets	186,282	226,082	39,800	78,765
Transfers in--				
From Special Revenue Fund	166,464	166,463	(1)	
From Capital Project Fund	201	201		6,528
From Capital Reserve Fund	1,492,106	843,690	(648,416)	232,545
From Enterprise Fund	397,460	397,460		
Transfers (out)--				
To Capital Project Fund	(1,657,051)	(1,657,051)		(2,215,717)
To Special Revenue Fund	(146,150)	(122,054)	24,096	(303,040)
Total other financing sources (uses)	4,726,672	1,083,054	(3,643,618)	(791,183)
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ 0</u>	1,055,834	<u>\$ 1,055,834</u>	(1,149,479)
Fund balance:				
Beginning of year, July 1		11,008,048		12,157,527
End of year, June 30		<u>\$ 12,063,882</u>		<u>\$ 11,008,048</u>

Capital Reserve Fund

The Capital Reserve Fund is used to account for funds to be used for future capital improvements and debt service.

City of Jacksonville, North Carolina
Capital Reserve Fund
Comparative Balance Sheets
June 30, 2003 and 2002

Statement 3

	<u>2003</u>	<u>2002</u>
Assets		
Current Assets:		
Cash and investments	\$ 7,823,207	\$ 9,356,250
Accounts receivable (net)	1,467	75
Total Current Assets	<u>7,824,674</u>	<u>9,356,325</u>
Total Assets	<u><u>\$ 7,824,674</u></u>	<u><u>\$ 9,356,325</u></u>
Fund Balance		
Fund Balance	<u>7,824,674</u>	<u>9,356,325</u>
Total Fund Balance	<u><u>\$ 7,824,674</u></u>	<u><u>\$ 9,356,325</u></u>

City of Jacksonville, North Carolina
Capital Reserve Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 4

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ 1,439,121	\$ 1,286,626	\$ 120,316	\$ 1,406,942	\$ (32,179)
Investment earnings-Powell Bill	28,736	28,636		28,636	(100)
Contributions--					
Onslow County Board of Education	53,000	53,000		53,000	
Developers	51,140	41,592	9,548	51,140	
Total revenues	<u>1,571,997</u>	<u>1,409,854</u>	<u>129,864</u>	<u>1,539,718</u>	<u>(32,279)</u>
Expenditures:					
Initiatives FY '99	11,042				11,042
Reserve for debt retirement	7,159,318				7,159,318
Reserve for recreation	38,177				38,177
Total expenditures	<u>7,208,537</u>				<u>7,208,537</u>
Revenues over (under) expenditures	<u>(5,636,540)</u>	<u>1,409,854</u>	<u>129,864</u>	<u>1,539,718</u>	<u>7,176,258</u>
Other financing sources (uses):					
Transfers in--					
From General Fund	6,618,052	6,618,052		6,618,052	
From General Fund - Powell Bill	323,572	323,572		323,572	
From Capital Project Funds	1,789,892	1,788,667	1,225	1,789,892	
From Water/Sewer Fund	5,435,346	5,435,346		5,435,346	
From Water/Sewer Capital Projects	1,040,000	1,040,000		1,040,000	
Transfers (out)--					
To General Fund	(1,925,959)	(433,853)	(843,690)	(1,277,543)	648,416
To Capital Project Funds	(7,644,363)	(6,825,313)	(819,050)	(7,644,363)	
Total other financing sources (uses)	<u>5,636,540</u>	<u>7,946,471</u>	<u>(1,661,515)</u>	<u>6,284,956</u>	<u>648,416</u>
Increase (decrease) in fund balance	<u>\$ 0</u>	<u>\$ 9,356,325</u>	<u>(1,531,651)</u>	<u>\$ 7,824,674</u>	<u>\$ 7,824,674</u>
Fund balance:					
Beginning of year, July 1			<u>9,356,325</u>		
End of year, June 30			<u>\$ 7,824,674</u>		



Non-Major Governmental Combining Statements

The Non-Major Governmental Combining Statements show a combined total for all non-major Special Revenue and Capital Project governmental funds.

City of Jacksonville, North Carolina
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2003

Statement 5

	Non-Major Special Revenue	Non-Major Capital Projects	Total
Assets			
Cash and investments	\$ 374,796	\$ 3,049,408	\$ 3,424,204
Accounts receivable (net)	129,987	97,566	227,553
Notes receivable	1,369,399		1,369,399
Interfund receivable	7,086		7,086
Prepaid items	920		920
Restricted cash and investments	193,023	6,792,662	6,985,685
	<u>193,023</u>	<u>6,792,662</u>	<u>6,985,685</u>
Total assets	<u>\$ 2,075,211</u>	<u>\$ 9,939,636</u>	<u>\$ 12,014,847</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,609,982	\$ 101,167	\$ 1,711,149
Interfund payable	20,142	7,837	27,979
restricted assets		91,990	91,990
Total liabilities	<u>1,630,124</u>	<u>200,994</u>	<u>1,831,118</u>
Fund balances:			
Reserved by grantor	18,165		18,165
Reserved for encumbrances	191,261	2,493,475	2,684,736
Reserved for Powell Bill		2,232,323	2,232,323
Reserved for prepaid items	920		920
Reserved for Smithfield Grant		165,996	165,996
Unreserved:			
Designated for subsequent year's expenditures	420,272	6,277,935	6,698,207
Unreserved, undesignated (deficit)	<u>(185,531)</u>	<u>(1,431,087)</u>	<u>(1,616,618)</u>
Total fund balances	<u>445,087</u>	<u>9,738,642</u>	<u>10,183,729</u>
Total liabilities and fund balances	<u>\$ 2,075,211</u>	<u>\$ 9,939,636</u>	<u>\$ 12,014,847</u>

City of Jacksonville, North Carolina
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2003

Statement 6

	Non-Major Special Revenue	Non-Major Capital Project	Total
Revenues:			
Restricted intergovernmental revenues	\$ 1,768,822	\$ 729,856	\$ 2,498,678
Investment earnings	3,798	53,086	56,884
Miscellaneous	273,793	13,529	287,322
Total revenues	<u>2,046,413</u>	<u>796,471</u>	<u>2,842,884</u>
Expenditures:			
Current:			
Public safety	638,490		638,490
Economic and physical development	1,522,149		1,522,149
Capital outlay		3,075,534	3,075,534
Debt service:			
Principal retirement	105,715		105,715
Interest and fees	56,182		56,182
Total expenditures	<u>2,322,536</u>	<u>3,075,534</u>	<u>5,398,070</u>
Revenues over (under) expenditures	<u>(276,123)</u>	<u>(2,279,063)</u>	<u>(2,555,186)</u>
Other financing sources (uses):			
Proceeds from borrowing		5,000,000	5,000,000
Sales of general fixed assets		100,000	100,000
Transfers in	190,554	2,476,101	2,666,655
Transfers (out)	(234,964)	(1,426)	(236,390)
Total other financing sources (uses)	<u>(44,410)</u>	<u>7,574,675</u>	<u>7,530,265</u>
Excess of revenues and other sources over (under) expenditures and other uses	(320,533)	5,295,612	4,975,079
Fund balances:			
Beginning of year, July 1	765,620	4,443,030	5,208,650
End of year, June 30	<u>\$ 445,087</u>	<u>\$ 9,738,642</u>	<u>\$ 10,183,729</u>



Non-Major Special Revenue Funds

Non-Major Special Revenue Funds account for the proceeds of special revenue sources that are legally restricted to expenditure for specific purposes.

Individual Fund Descriptions:

Community Development Grant Fund - accounts for the revenues and expenditures of Community Development Block Grant programs.

CREATE Project – accounts for the revenues and expenditures of the CREATE Project.

Law Enforcement Block Grant Fund - accounts for the revenues and expenditures of the Law Enforcement Block Grant Program.

School Resource Officer Grant Fund - accounts for the revenues and expenditures of the School Resource Officer Program.

E-911 Fund - accounts for the revenues and expenditures of the Enhanced E-911 Operation.

Emergency Relief Grant Fund – accounts for the revenues and expenditures of the Emergency Relief Grant Program.

Bulletproof Vest Grant Fund - accounts for the revenues and expenditures of the Bulletproof Vest Grant Program.

Sandy Run Mentoring – accounts for the revenues and expenditures of the Sandy Run Mentoring Program.

Affordable Home Ownership Grant Fund - accounts for the revenues and expenditures of the Affordable Home Ownership Grant Program.

HUD Disaster Recovery Grant (DRI) Fund - accounts for the revenues and expenditures of the HUD Disaster Recovery Grant Program.

COPS Grant Fund - accounts for the revenues and expenditures of the COPS Grant Program.

City of Jacksonville, North Carolina
Non-Major Special Revenue Funds
Combining Balance Sheet
June 30, 2003
With Comparative Totals for June 30, 2002

	Community Development Fund	CREATE Project	Law Enforcement Block Grant Fund	School Resource Officer Program Fund	E-911 Fund
Assets					
Current Assets:					
Cash and investments	\$ 213,890	\$ 68,500	\$ 3,521	\$ 64,635	\$
Accounts receivable	40,236				22,351
Notes receivable	1,369,399				
Interfund receivable	3,149			3,937	
Prepaid items	920				
Total Current Assets	<u>1,627,594</u>	<u>68,500</u>	<u>3,521</u>	<u>68,572</u>	<u>22,351</u>
Restricted Assets:					
Cash and investments					193,023
Total Restricted Assets					<u>193,023</u>
Total Assets	<u>\$ 1,627,594</u>	<u>\$ 68,500</u>	<u>\$ 3,521</u>	<u>\$ 68,572</u>	<u>\$ 215,374</u>
Liabilities and Fund Balances					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 1,586,530	\$ 200	\$	\$ 12,403	\$ 10,139
Interfund payable	19,749			393	
Total Current Liabilities	<u>1,606,279</u>	<u>200</u>		<u>12,796</u>	<u>10,139</u>
Total Liabilities	<u>1,606,279</u>	<u>200</u>		<u>12,796</u>	<u>10,139</u>
Fund Balance - Reserved:					
Reserved by Grantor	18,165				
Reserved for encumbrances	187,761				
Reserved for prepaid items	920				
Total Reserved	<u>206,846</u>				
Unreserved/Designated					
Designated for subsequent year's expenditures		68,300	3,521	55,776	205,235
Unreserved, undesignated	<u>(185,531)</u>				
Total Fund Balance	<u>21,315</u>	<u>68,300</u>	<u>3,521</u>	<u>55,776</u>	<u>205,235</u>
Total Liabilities and Fund Balances	<u>\$ 1,627,594</u>	<u>\$ 68,500</u>	<u>\$ 3,521</u>	<u>\$ 68,572</u>	<u>\$ 215,374</u>

Emergency Relief	Bullet Proof Vest Fund	Sandy Run Mentoring	Affordable Ownership Fund	Totals	
				June 30, 2003	June 30, 2002
\$ 762	\$ 12,688	\$ 10,000	\$ 10,800 57,400	\$ 374,796 129,987 1,369,399 7,086 920	\$ 501,666 73,296 831,807
762	12,688	10,000	68,200	1,882,188	1,406,769
				193,023	310,192
				193,023	310,192
<u>\$ 762</u>	<u>\$ 12,688</u>	<u>\$ 10,000</u>	<u>\$ 68,200</u>	<u>\$ 2,075,211</u>	<u>\$ 1,716,961</u>
\$	\$	\$	\$ 710	\$ 1,609,982 20,142	\$ 946,130 5,211
			710	1,630,124	951,341
			710	1,630,124	951,341
	3,500			18,165 191,261 920	221,704
	3,500			210,346	221,704
762	9,188	10,000	67,490	420,272 (185,531)	673,305 (129,389)
762	12,688	10,000	67,490	445,087	765,620
<u>\$ 762</u>	<u>\$ 12,688</u>	<u>\$ 10,000</u>	<u>\$ 68,200</u>	<u>\$ 2,075,211</u>	<u>\$ 1,716,961</u>

City of Jacksonville, North Carolina
Non-Major Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2003
With Comparative Totals for the Fiscal Year Ended June 30, 2002

	Community Development Fund	CREATE Project	Law Enforcement Block Grant Fund	School Resource Officer Program Fund	E-911 Fund
Revenues:					
Investments earnings	\$ 176	\$	\$ 41	\$	\$ 3,500
Entitlement grant 2000	89,640				
Entitlement grant 2001	544,000				
Entitlement grant 2002	275,482				
Program income	266,793				
Law enforcement block grant			42,563		
Bulletproof Vest grant					
NCLM bulletproof vest grant					
COPS universal hiring grant					
Onslow County board of education				174,412	
Sandy run mentoring					
Phone surcharge fee					250,739
HUD disaster recovery grant					
Home ownership assistance					
Total revenues	1,176,091		42,604	174,412	254,239
Expenditures:					
Entitlement grant 2000	333,290				
Entitlement grant 2001	546,654				
Entitlement grant 2002	285,247				
CREATE project		200			
Law enforcement block grant 2001			23,096		
Law enforcement block grant 2002			43,807		
Bulletproof Vest program					
COPS grant project					
School resource officer program				253,335	
E-911					207,603
HUD disaster recovery grant					
Home ownership assistance					
Debt Service					
Principal retirements					105,715
Interest and fees					56,182
Total expenditures	1,165,191	200	66,903	253,335	369,500
Revenues over (under) expenditures	10,900	(200)	(24,299)	(78,923)	(115,261)
Other financing sources (uses):					
Proceeds from borrowing					
Transfers in		68,500	4,729	77,107	
Transfers (out)	(68,500)		(631)		
Total other financing sources (uses)	(68,500)	68,500	4,098	77,107	
Excess of revenues and other sources over (under) expenditures and other uses	(57,600)	68,300	(20,201)	(1,816)	(115,261)
Fund balances:					
Beginning of year, July 1	78,915		23,722	57,592	320,496
End of year, June 30	\$ 21,315	\$ 68,300	\$ 3,521	\$ 55,776	\$ 205,235

Emergency Relief	Bullet Proof Vest Fund	Sandy Run Mentoring	Affordable Home Ownership Fund	HUD Disaster Recovery Grant Fund	COPS Grant Fund	Totals	
						June 30, 2003	June 30, 2002
\$	\$	\$	\$ 81	\$	\$	\$ 3,798	\$ 8,485
						89,640	437,360
						544,000	
			7,000			275,482	255,770
						273,793	180,049
						42,563	75,961
	42,925					42,925	292
	2,500					2,500	
					8,030	8,030	175,724
						174,412	173,395
		10,000				10,000	
				209,351		250,739	259,215
			119,180			209,351	1,097
						119,180	82,897
	45,425	10,000	126,261	209,351	8,030	2,046,413	1,650,245
						333,290	305,137
						546,654	
						285,247	259,321
						200	
						23,096	60,748
						43,807	
	85,850					85,850	585
					24,799	24,799	198,391
						253,335	228,938
						207,603	200,925
				209,351		209,351	1,097
			147,407			147,407	43,541
						105,715	100,230
						56,182	61,686
	85,850		147,407	209,351	24,799	2,322,536	1,460,599
	(40,425)	10,000	(21,146)		(16,769)	(276,123)	189,646
	40,218					190,554	303,040
					(165,833)	(234,964)	(368,581)
	40,218				(165,833)	(44,410)	(65,541)
	(207)	10,000	(21,146)		(182,602)	(320,533)	124,105
762	12,895		88,636		182,602	765,620	641,515
\$ 762	\$ 12,688	\$ 10,000	\$ 67,490	\$ 0	\$ 0	\$ 445,087	\$ 765,620

City of Jacksonville, North Carolina
Non-Major Special Revenue Fund
Community Development Grant Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 9

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Entitlement Grant 1999 CD9965					
Entitlement Grant 1999	\$ 537,000	\$ 537,000	\$	\$ 537,000	\$
Program income	357,088	328,046		328,046	(29,042)
Investment earnings	198	199		199	1
Total	894,286	865,245		865,245	(29,041)
Entitlement Grant 2000 CD0060					
Entitlement Grant 2000	527,000	437,360	89,640	527,000	
Program income	351,706	27,404	266,175	293,579	(58,127)
Investment earnings	1,045	28	143	171	(874)
Total	879,751	464,792	355,958	820,750	(59,001)
Entitlement Grant 2001 CD0161					
Entitlement Grant 2001	544,000		544,000	544,000	
Program income	394,209	119,182	118	119,300	(274,909)
Investment earnings	1,272		8	8	(1,264)
Total	939,481	119,182	544,126	663,308	(276,173)
Entitlement Grant 2002 CD0262					
Entitlement Grant 2002	523,000		275,482	275,482	(247,518)
Program income	77,250		500	500	(76,750)
Investment earnings	1,000		25	25	(975)
Total	601,250		276,007	276,007	(325,243)
Total revenues	3,314,768	1,449,219	1,176,091	2,625,310	(689,458)
Expenditures:					
Entitlement Grant 1999 CD9965					
Administration	165,020	165,020		165,020	
Housing rehabilitation	34,468	34,468		34,468	
Neighborhood facility	30,786	30,786		30,786	
Clearance	133,864	133,864		133,864	
Acquisition of property	62,759	62,759		62,759	
Rehabilitation planning	127,396	127,396		127,396	
City school project	142,293	142,293		142,293	
Total	696,586	696,586		696,586	
Entitlement Grant 2000 CD0060					
Administration	107,399	43,839	63,560	107,399	
Housing rehabilitation	266,982	175,840	89,197	265,037	1,945
Affordable housing	15,705	3,900	11,805	15,705	
Clearance	60,308	29,860	30,448	60,308	
Acquisition of property	45,481	1,408	44,073	45,481	
Rehabilitation planning	108,353	48,007	60,347	108,354	(1)
City school project	36,142	2,283	33,860	36,143	(1)
Total	640,370	305,137	333,290	638,427	1,943

Continued on next page

City of Jacksonville, North Carolina
Non-Major Special Revenue Fund
Community Development Grant Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 9,
continued.

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Entitlement Grant 2001 CD0161					
Administration	\$ 12,068	\$	\$ 12,068	\$ 12,068	\$
Housing rehabilitation	81,324		81,324	81,324	
Commercial rehabilitation	79,369		79,369	79,369	
Affordable housing	250,000		250,000	250,000	
Clearance	2,900		2,900	2,900	
Acquisition of property	111,443		111,441	111,441	2
Street improvements	161,196				161,196
Rehabilitation planning	9,520		9,522	9,522	(2)
City school project	170,911		30	30	170,881
Total	878,731		546,654	546,654	332,077
Entitlement Grant 2002 CD0262					
Administration	132,292		16,906	16,906	115,386
Housing rehabilitation	125,085		125,085	125,085	
Commercial rehabilitation	8,296		8,296	8,296	
Affordable housing	190,000		68,540	68,540	121,460
Clearance	79,732		9,733	9,733	69,999
Acquisition of property	34,142		34,142	34,142	
Rehabilitation planning	82,775		12,867	12,867	69,908
City school project	9,678		9,678	9,678	
Total	662,000		285,247	285,247	376,753
Total expenditures	2,877,687	1,001,723	1,165,191	2,166,914	710,773
Excess of revenues over expenditures	437,081	447,496	10,900	458,396	21,315
Other financing sources (uses):					
Transfers (out)--					
To Water/Sewer capital project	(368,581)	(368,581)		(368,581)	
To CREATE project	(68,500)		(68,500)	(68,500)	
Total other financing (uses)	(437,081)	(368,581)	(68,500)	(437,081)	
Excess of revenues over (under) expenditures and other uses	\$ 0	78,915	(57,600)	\$ 21,315	\$ 21,315
Fund balances:					
Beginning of year, July 1		0	78,915		
End of year, June 30		\$ 78,915	\$ 21,315		

City of Jacksonville, North Carolina
Non-Major Special Revenue Fund
CREATE Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 10

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:					
Affordable Housing			200	200	
Total expenditures	68,500		200	200	68,300
Excess of revenues (under) expenditures	(68,500)		(200)	(200)	68,300
Other financing sources:					
Transfers in--					
From Community Development Grant	68,500		68,500	68,500	
Total other financing sources	68,500		68,500	68,500	
Excess of revenues over expenditures	<u>\$ 0</u>	<u>\$ 0</u>	68,300	<u>\$ 68,300</u>	<u>\$ 68,300</u>
Fund balances:					
Beginning of year, July 1					
End of year, June 30			<u>\$ 68,300</u>		

City of Jacksonville, North Carolina
Non-Major Special Revenue Fund
Law Enforcement Block Grant Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 11

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
2001 Grant PD0201					
Law Enforcement Block Grant	\$ 75,961	\$ 75,961	\$	\$ 75,961	\$
Investment earnings	100	69	5	74	(26)
Total	76,061	76,030	5	76,035	(26)
2002 Grant PD0301					
Law Enforcement Block Grant	42,563		42,563	42,563	
Investment earnings	57		36	36	(21)
Total	42,620		42,599	42,599	(21)
Total revenues	118,681	76,030	42,604	118,634	(47)
Expenditures:					
2001 Grant PD0201					
Operating expenditures		60,748	23,096	83,844	
Total	83,870	60,748	23,096	83,844	26
2002 Grant PD0301					
Operating expenditures			43,807	43,807	
Total	47,349		43,807	43,807	3,542
Total expenditures	131,219	60,748	66,903	127,651	3,568
Excess of revenues over (under) expenditures	(12,538)	15,282	(24,299)	(9,017)	3,521
Other financing sources:					
Transfers in--					
From General Fund	13,169	8,440	4,729	13,169	
Transfers (out)--					
To General Fund	(631)		(631)	(631)	
Total other financing sources	12,538	8,440	4,098	12,538	
Excess of revenues and other sources over (under) expenditures and other uses	\$ 0	\$ 23,722	(20,201)	\$ 3,521	\$ 3,521
Fund balances:					
Beginning of year, July 1			23,722		
End of year, June 30			\$ 3,521		

City of Jacksonville, North Carolina
Non-Major Special Revenue Fund
School Resource Officer Grant Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 12

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Onslow County board of education	\$ 987,173	\$ 812,760	\$ 174,412	\$ 987,172	\$ (1)
Investment earnings	8,469	7,376		7,376	(1,093)
Total revenues	995,642	820,136	174,412	994,548	(1,094)
Expenditures:					
Salaries and employee benefits		823,575	233,628	1,057,203	
Operating expenditures		47,551	19,707	67,258	
Capital outlay		2,280		2,280	
Total expenditures	1,183,611	873,406	253,335	1,126,741	56,870
Excess of revenues (under) expenditures	(187,969)	(53,270)	(78,923)	(132,193)	55,776
Other financing sources (uses):					
Transfers in--					
From General Fund	303,121	226,014	77,107	303,121	
Transfers (out)--					
To General Fund	(115,152)	(115,152)		(115,152)	
Total other financing sources	187,969	110,862	77,107	187,969	
Excess of revenues and other sources over (under) expenditures and other uses	\$ 0	\$ 57,592	(1,816)	\$ 55,776	\$ 55,776
Fund balances:					
Beginning of year, July 1			57,592		
End of year, June 30			\$ 55,776		

City of Jacksonville, North Carolina
Non-Major Special Revenue Fund
E-911

Schedule 13

Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Interest earned on investments	\$ 68,676	\$ 62,382	\$ 3,500	\$ 65,882	\$ (2,794)
Phone surcharge fee	1,332,659	1,096,326	250,739	1,347,065	14,406
Miscellaneous	9,228	9,228		9,228	
Contribution Onslow County	67,416	67,417		67,417	1
Total revenues	<u>1,477,979</u>	<u>1,235,353</u>	<u>254,239</u>	<u>1,489,592</u>	<u>11,613</u>
Expenditures:					
Other departmental expenditures		711,196	207,603	918,799	
Debt service		249,417	161,897	411,314	
Capital outlay		1,288,067		1,288,067	
Total expenditures	<u>2,708,129</u>	<u>2,248,680</u>	<u>369,500</u>	<u>2,618,180</u>	<u>89,949</u>
Excess of revenues (under) expenditures	<u>(1,230,150)</u>	<u>(1,013,327)</u>	<u>(115,261)</u>	<u>(1,128,588)</u>	<u>101,562</u>
Other financing sources (uses):					
Appropriated fund balance	67,997				(67,997)
Installment purchase proceeds	1,254,792	1,254,792		1,254,792	
Transfers in--					
From General Fund	48,539	48,539		48,539	
From Proprietary Fund		171,670		171,670	171,670
Transfers (out)--					
To General Fund	<u>(141,178)</u>	<u>(141,178)</u>		<u>(141,178)</u>	
Total other financing sources	<u>1,230,150</u>	<u>1,333,823</u>		<u>1,333,823</u>	<u>103,673</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ 0</u>	<u>\$ 320,496</u>	<u>(115,261)</u>	<u>\$ 205,235</u>	<u>\$ 205,235</u>
Fund balances:					
Beginning of year, July 1			<u>320,496</u>		
End of year, June 30			<u>\$ 205,235</u>		

City of Jacksonville, North Carolina
Non-Major Special Revenue Fund
Emergency Relief
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 14

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Emergency relief	\$ 10,000	\$ 4,523	\$	\$ 4,523	\$ (5,477)
Total revenues	10,000	4,523		4,523	(5,477)
Expenditures:					
Salaries and employee benefits		3,761		3,761	
Total expenditures	10,000	3,761		3,761	6,239
Excess of revenues over expenditures	\$ 0	\$ 762		\$ 762	\$ 762
Fund balances:					
Beginning of year, July 1			762		
End of year, June 30			\$ 762		

City of Jacksonville, North Carolina
Non-Major Special Revenue Fund
Bulletproof Vest Grant Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 15

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Bureau of Justice grant	\$ 46,666	\$ 292	\$ 42,925	\$ 43,217	\$ (3,449)
NCLM Bulletproof grant	2,500		2,500	2,500	
Total revenues	49,166	292	45,425	45,717	(3,449)
Expenditures:					
Other departmental expenditures		585	85,850	86,435	
Total expenditures	102,572	585	85,850	86,435	16,137
Excess of revenues (under) expenditures	(53,406)	(293)	(40,425)	(40,718)	12,688
Other financing sources:					
Transfers in--					
From General Fund	53,406	13,188	40,218	53,406	
Total other financing sources	53,406	13,188	40,218	53,406	
Excess of revenues and other sources over (under) expenditures and other uses	\$ 0	\$ 12,895	(207)	\$ 12,688	\$ 12,688
Fund balances:					
Beginning of year, July 1			12,895		
End of year, June 30			\$ 12,688		

City of Jacksonville, North Carolina
Non-Major Special Revenue Fund
Sandy Run Mentoring Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 16

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Sandy Run Mentoring	\$ 10,000	\$	\$ 10,000	\$ 10,000	\$
Total revenues	10,000		10,000	10,000	
Expenditures:					
Operating expenditures					
Total expenditures	10,000				10,000
Excess of revenues over expenditures	\$ 0	\$ 0	10,000	\$ 10,000	\$ 10,000
Fund balances:					
Beginning of year, July 1					
End of year, June 30			\$ 10,000		

City of Jacksonville, North Carolina
Non-Major Special Revenue Fund
Affordable Home Ownership Grant Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 17

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Home HM0001					
Interest earned on investments	\$ 87	\$ 106	\$	\$ 106	\$ 19
Home ownership assistance	150,000	147,337		147,337	(2,663)
Program income	24,063	24,063		24,063	
Total	174,150	171,506		171,506	(2,644)
Home HM0201					
Interest earned on investments	96	8	81	89	(7)
Home ownership assistance	161,000	30,100	119,180	149,280	(11,720)
Program income	7,000		7,000	7,000	
Total	168,096	30,108	126,261	156,369	(11,727)
Total revenues	342,246	201,614	126,261	327,875	(14,371)
Expenditures:					
Home HM0001					
Administration		6,595		6,595	
Home ownership assistance		145,318		145,318	
Total	154,556	151,913		151,913	2,643
Home HM0201					
Administration		1,108	7,711	8,819	
Home ownership assistance			139,696	139,696	
Total	227,733	1,108	147,407	148,515	79,218
Total expenditures	382,289	153,021	147,407	300,428	81,861
Excess of revenues over (under) expenditures	(40,043)	48,593	(21,146)	27,447	67,490
Other financing sources:					
Transfers in--					
From Affordable Home Ownership grant	40,043	40,043		40,043	
Total other financing sources	40,043	40,043		40,043	
Excess of revenues and other sources over (under) expenditures and other uses	\$ 0	\$ 88,636	(21,146)	\$ 67,490	67,490
Fund balances:					
Beginning of year, July 1			88,636		
End of year, June 30			\$ 67,490		

City of Jacksonville, North Carolina
Non-Major Special Revenue Fund
HUD Disaster Recovery Grant Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 18

	Project	Actual			Variance
	Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:					
HUD disaster recovery grant	\$ 308,188	\$ 98,498	\$ 209,351	\$ 307,849	\$ (339)
Total revenues	308,188	98,498	209,351	307,849	(339)
Expenditures:					
Administration		4,910	823	5,733	
Clearance		1,640	800	2,440	
Housing rehabilitation		91,948	56,670	148,618	
Contracted services			151,058	151,058	
Total expenditures	308,188	98,498	209,351	307,849	339
Excess of revenues over expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

City of Jacksonville, North Carolina
Non-Major Special Revenue Fund
COPS Grant Project
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 19

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
COPS					
COPS universal hiring grant	\$ 671,992	\$ 663,933	\$ 8,030	\$ 671,963	\$ (29)
Investment earnings	17,175	10,542		10,542	(6,633)
Total	689,167	674,475	8,030	682,505	(6,662)
Troops to Cops					
Troops to Cops grant	67,697	66,616		66,616	(1,081)
Total	67,697	66,616		66,616	(1,081)
Total revenues	756,864	741,091	8,030	749,121	(7,743)
Expenditures:					
COPS					
Salaries and employee benefits		999,243	23,131	1,022,374	
Operating expenditures		130,179	1,668	131,847	
Capital outlay		251,312		251,312	
Total	1,456,003	1,380,734	24,799	1,405,533	50,470
Troops to Cops					
Operating expenditures		48,030		48,030	
Capital outlay		18,586		18,586	
Total	67,697	66,616		66,616	1,081
Total expenditures	1,523,700	1,447,350	24,799	1,472,149	51,551
Excess of revenues (under) expenditures	(766,836)	(706,259)	(16,769)	(723,028)	43,808
Other financing sources (uses):					
Installment purchase proceeds	220,286	200,574		200,574	(19,712)
Transfers in--					
From General Fund	804,508	780,412		780,412	(24,096)
Transfers (out)--					
To General Fund	(257,958)	(92,125)	(165,833)	(257,958)	
Total other financing sources (uses)	766,836	888,861	(165,833)	723,028	(43,808)
Excess of revenues and other sources over (under) expenditures and other uses	\$ 0	\$ 182,602	(182,602)	\$ 0	\$ 0
Fund balances:					
Beginning of year, July 1			182,602		
End of year, June 30			\$ 0		



Non-Major Capital Project Funds

Non-Major Capital Project Funds account for funds to be used for the acquisition or construction of major capital facilities.

Individual Fund Descriptions:

Northeast Creek Park Phase II Capital Project – accounts for funds used in Phase II of the construction of Northeast Creek Park.

Street Improvements Capital Project – accounts for funds used in the rehabilitation of streets primarily funded by Powell Bill revenues.

Fire Station #4 Capital Project – accounts for funds used in the construction of Fire Station #4.

Demolition Capital Project – accounts for funds dedicated for the demolition of unsuitable housing.

Country Club Park Capital Project – accounts for funds used in the construction of the Country Club Park.

Richard Ray All America Park Capital Project – accounts for funds used in the construction of the Richard Ray All America Park.

Sherwood Forest Park Capital Project – accounts for funds used in the construction of Sherwood Forest Park.

Civic Facility Capital Project – accounts for funds used in the construction of the Civic Facility.

Woodlands Park Capital Project – accounts for funds used in the construction of the Woodlands Park.

Wilson Bay Park Phase I Capital Project – accounts for funds used in the construction of the Wilson Bay Park.

Skateboard Park Capital Project – accounts for funds used in the construction of the Skateboard Park.

Downtown Redevelopment Capital Project – accounts for funds used in the revitalization of the downtown area.

Phillips Park Capital Project – accounts for funds used in the construction of Phillips Park.

Rails to Trails Capital Project – accounts for funds used in the conversion of railroad tracks to recreation trails.

Non-Major Capital Project Funds

(Continued)

City Hall Expansion Capital Project – accounts for funds used in the design and construction of the expansion and renovation of City Hall.

Sturgeon City Capital Project – accounts for funds used in the construction of Sturgeon City.

Brook Valley Park Capital Project – accounts for funds used in the construction of Brook Valley Park.

Jacksonville Business Park Capital Project – accounts for funds used in the development of the Jacksonville Business Park.

Riverwalk Crossing Capital Project – accounts for funds used in the construction of Riverwalk Crossing.

Northeast Creek Boardwalk Park III Capital Project – accounts for funds used in the construction of Phase III of the Northeast Creek Boardwalk.

Sturgeon City Park Capital Project – accounts for funds used in the construction of Sturgeon City Park.

Police Remodeling Capital Project – accounts for funds used in the remodeling of the Police Station.

Non-Powell Bill Capital Project – accounts for funds used for non-Powell Bill projects.

Citywide Landscaping Capital Project – accounts for funds used to implement the Citywide master landscaping plan.

NC24 Culvert Trail Capital Project – accounts for funds used in the construction of the NC24 Culvert Trail.

Transportation Demonstration Capital Project – accounts for funds used in the demonstration project for the City public transportation system.

Marine Corps Museum Capital Project – accounts for funds donated for the construction of the Marine Corps Museum.

Wilson Bay Initiative Capital Project – accounts for funds used in the Wilson Bay Initiative.

Smithfield Grant/ Wilson Bay Capital Project – accounts for funds used to restore water quality in Wilson Bay and Wetlands Restoration.

Non-Major Capital Project Funds

(Continued)

Fire Training Facility Capital Project – accounts for funds used in conjunction with funds donated from Coastal Carolina Community College and Onslow County Volunteer Fire Service for the construction of a Fire Training Facility.

Youth Center Capital Project – accounts for funds used in the construction of a Jacksonville Youth Center.

Vietnam Veterans Memorial Capital Project – accounts for funds donated by the City for the eventual construction of a Vietnam Veterans Memorial.

Fire Training Equipment Capital Project – accounts for funds granted by FEMA for purchase of Fire Fighting and Training Equipment.

Trails and Greenways Capital Project – accounts for funds used in the construction of trails throughout the City.

Kerr Street Park Capital Project – accounts for funds used in the construction of the Kerr Street Park.

Downtown Riverfront Development Capital Project – accounts for funds used in redevelopment of the downtown area.

Northwoods Playground Capital Project – accounts for funds used in the construction of the Northwoods Playground.

Henderson Drive Widening Capital Project – accounts for funds used in the construction to widen Henderson Drive extension.

Mill Creek Hazard Mitigation Capital Project – accounts for funds used in the construction of a culvert in the Mill Creek area to prevent flooding.

City of Jacksonville, North Carolina
Non-Major Capital Project Funds
Combining Balance Sheet
June 30, 2003
With Comparative Totals for June 30, 2002

	Northeast Creek Park II	Street Improvements	Fire Station #4	Demolition	Country Club Park	Richard Ray All America Park
Assets						
Current Assets:						
Cash and investments	\$ 41,922	\$ 5,830	\$ 169,186	\$ 149,699	\$ 75,000	\$ 22,713
Accounts receivable						
Total Current Assets	41,922	5,830	169,186	149,699	75,000	22,713
Restricted Assets:						
Cash and investments		2,309,462				
Total Restricted Assets		2,309,462				
Total Assets	<u>\$ 41,922</u>	<u>\$ 2,315,292</u>	<u>\$ 169,186</u>	<u>\$ 149,699</u>	<u>\$ 75,000</u>	<u>\$ 22,713</u>
Liabilities and Fund Balances						
Current Liabilities:						
Accounts payable	\$	\$	\$	\$	\$	\$ 806
Interfund payable						
Total Current Liabilities						806
Current Liabilities to be paid from restricted assets:						
Accounts payable		91,990				
Total Restricted Liabilities		91,990				
Total Liabilities		91,990				806
Fund Balances:						
Reserved for encumbrances			615			4,956
Reserved for Powell Bill		2,223,302				
Reserved for Smithfield Grant						
Unreserved, designated for subsequent year's expenditures	41,922		168,571	149,699	75,000	16,951
Unreserved, undesignated						
Total Fund Balance	41,922	2,223,302	169,186	149,699	75,000	21,907
Total Liabilities and Fund Balances	<u>\$ 41,922</u>	<u>\$ 2,315,292</u>	<u>\$ 169,186</u>	<u>\$ 149,699</u>	<u>\$ 75,000</u>	<u>\$ 22,713</u>

Sherwood Forest Park	Civic Facility	Woodlands Park	Wilson Bay Park Phase I	Skateboard Park	Downtown Redevelopment	Phillips Park	Rails to Trails
\$ 9,332	\$ 56,427	\$ 8,983	\$ 7,446	\$ 680	\$ 7,462	\$ 8,730	\$ 649,705
							45,194
9,332	56,427	8,983	7,446	680	7,462	8,730	694,899
\$ 9,332	\$ 56,427	\$ 8,983	\$ 7,446	\$ 680	\$ 7,462	\$ 8,730	\$ 694,899
\$	\$ 12,814	\$	\$	\$	\$	\$	\$
	12,814						
	12,814						
1,316	1,066,893				5,970		94,459
8,016	(1,023,280)	8,983	7,446	680	1,492	8,730	600,440
9,332	43,613	8,983	7,446	680	7,462	8,730	694,899
\$ 9,332	\$ 56,427	\$ 8,983	\$ 7,446	\$ 680	\$ 7,462	\$ 8,730	\$ 694,899

Continued on next page.

City of Jacksonville, North Carolina
Non-Major Capital Project Funds
Combining Balance Sheet (Continued)
June 30, 2003
With Comparative Totals for June 30, 2002

	City Hall Expansion	Sturgeon City	Brook Valley Park	Jacksonville Business Park	Riverwalk Crossing	Northeast Creek Boardwalk Park III
Assets						
Current Assets:						
Cash and investments	\$ 229,199	\$ 283,239	\$ 14,564	\$ 3,392	\$ 269,418	\$ 8,400
Accounts receivable						
Total Current Assets	229,199	283,239	14,564	3,392	269,418	8,400
Restricted Assets:						
Cash and investments	4,097,571			5,629		
Total Restricted Assets	4,097,571			5,629		
Total Assets	<u>\$ 4,326,770</u>	<u>\$ 283,239</u>	<u>\$ 14,564</u>	<u>\$ 9,021</u>	<u>\$ 269,418</u>	<u>\$ 8,400</u>
Liabilities and Fund Balances						
Current Liabilities:						
Accounts payable	\$ 13,921	\$ 51	\$	\$	\$	\$
Interfund payable						
Total Current Liabilities	13,921	51				
Current Liabilities to be paid from restricted assets:						
Accounts payable						
Total Restricted Liabilities						
Total Liabilities	13,921	51				
Fund Balances:						
Reserved for encumbrances	73,011	8,677				
Reserved for Powell Bill				9,021		
Reserved for Smithfield Grant						
Unreserved, designated for subsequent year's expenditures	4,239,838	274,511	14,564		269,418	8,400
Unreserved, undesignated						
Total Fund Balance	4,312,849	283,188	14,564	9,021	269,418	8,400
Total Liabilities and Fund Balances	<u>\$ 4,326,770</u>	<u>\$ 283,239</u>	<u>\$ 14,564</u>	<u>\$ 9,021</u>	<u>\$ 269,418</u>	<u>\$ 8,400</u>

Sturgeon City Park	Police Remodeling	Non-Powell Bill Projects	Citywide Landscaping	NC24 Culvert Trail	Transportation Demonstration	Marine Corps Museum
\$ 214,526 44,358	\$ 51,958	\$ 22,475	\$ 5,130	\$ 150,000	\$ 79,135 178	\$ 100,000
258,884	51,958	22,475	5,130	150,000	79,313	100,000
		380,000				
		380,000				
\$ 258,884	\$ 51,958	\$ 402,475	\$ 5,130	\$ 150,000	\$ 79,313	\$ 100,000
\$ 58,123	\$ 2,661	\$	\$ 30	\$	\$ 7,666	\$
58,123	2,661		30		7,666	
58,123	2,661		30		7,666	
535,624	47,920	397,460		150,000		
(334,863)	1,377	5,015	5,100		71,647	100,000
200,761	49,297	402,475	5,100	150,000	71,647	100,000
\$ 258,884	\$ 51,958	\$ 402,475	\$ 5,130	\$ 150,000	\$ 79,313	\$ 100,000

Continued on next page.

City of Jacksonville, North Carolina
Non-Major Capital Project Funds
Combining Balance Sheet
June 30, 2003
With Comparative Totals for June 30, 2002

	Wilson Bay Initiative	Smithfield Grant/ Wilson Bay	Fire Training Facility	Youth Center	Vietnam Veteran's Memorial
Assets					
Current Assets:					
Cash and investments	\$ 44,703	\$ 170,584	\$ 38,000	\$ 42,939	\$ 100,000
Accounts receivable					
Total Current Assets	<u>44,703</u>	<u>170,584</u>	<u>38,000</u>	<u>42,939</u>	<u>100,000</u>
Restricted Assets:					
Cash and investments					
Total Restricted Assets					
Total Assets	<u>\$ 44,703</u>	<u>\$ 170,584</u>	<u>\$ 38,000</u>	<u>\$ 42,939</u>	<u>\$ 100,000</u>
Liabilities and Fund Balances					
Current Liabilities:					
Accounts payable	\$ 507	\$ 4,588	\$	\$	\$
Interfund payable					
Total Current Liabilities	<u>507</u>	<u>4,588</u>			
Current Liabilities to be paid from restricted assets:					
Accounts payable					
Total Restricted Liabilities					
Total Liabilities	<u>507</u>	<u>4,588</u>			
Fund Balances:					
Reserved for encumbrances			25,000		
Reserved for Powell Bill					
Reserved for Smithfield Grant		165,996			
Unreserved, designated for subsequent year's expenditures	44,196		13,000	42,939	100,000
Unreserved, undesignated					
Total Fund Balance	<u>44,196</u>	<u>165,996</u>	<u>38,000</u>	<u>42,939</u>	<u>100,000</u>
Total Liabilities and Fund Balances	<u>\$ 44,703</u>	<u>\$ 170,584</u>	<u>\$ 38,000</u>	<u>\$ 42,939</u>	<u>\$ 100,000</u>

Fire Training Equipment	Mill Creek Hazard Mitigation	Totals	
		June 30, 2003	June 30, 2002
\$ 8,630	\$ 1	\$ 3,049,408	\$ 2,677,367
	7,836	97,566	95,797
8,630	7,837	3,146,974	2,773,164
		6,792,662	1,871,841
		6,792,662	1,871,841
\$ 8,630	\$ 7,837	\$ 9,939,636	\$ 4,645,005
\$	\$	\$ 101,167	\$ 154,602
	7,837	7,837	
	7,837	109,004	154,602
		91,990	47,373
		91,990	47,373
	7,837	200,994	201,975
81,574		2,493,475	929,180
		2,232,323	1,827,860
		165,996	
(72,944)		6,277,935	1,707,568
		(1,431,087)	(21,578)
8,630		9,738,642	4,443,030
\$ 8,630	\$ 7,837	\$ 9,939,636	\$ 4,645,005

City of Jacksonville, North Carolina
Non-Major Capital Project Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Fiscal Year Ended June 30, 2003
With Comparative Totals for the Fiscal Year Ended June 30, 2002

	Northeast Creek Park II	Street Improvements	Fire Station #4	Demolition	Country Club Park	Richard Ray All America Park
Revenues:						
Investment earnings	\$	\$ 25,828	\$	\$	\$	\$
Water Access grant						
NC Transp Enhancement grant						
NC Transit Development grant						
LWCF grant						
NC Coastal Stormwater grant						
Smithfield Grant						
Wetlands Restoration						
NCDOT SMAP						
FEMA						
Hazard Mitigation						
Contributions						
Loop Fares						
Onslow County Joint Project						
Miscellaneous revenues		13,529				
Total revenues		39,357				
Expenditures:						
Capital Outlay:						
Other improvements	623	559,364	96,372	49,440		23,256
Total expenditures	623	559,364	96,372	49,440		23,256
Revenues over (under) expenditures	(623)	(520,007)	(96,372)	(49,440)		(23,256)
Other financing sources:						
Proceeds from borrowing						
Transfers in		924,470		100,000		15,000
Transfers (out)						
Sale of fixed assets						
Total other financing sources (uses)		924,470		100,000		15,000
Excess of revenues and other sources over (under) expenditures and other uses	(623)	404,463	(96,372)	50,560		(8,256)
Fund balances:						
Beginning of year, July 1	42,545	1,818,839	265,558	99,139	75,000	30,163
End of year, June 30	\$ 41,922	\$ 2,223,302	\$ 169,186	\$ 149,699	\$ 75,000	\$ 21,907

Sherwood Forest Park	Civic Facility	Woodlands Park	Wilson Bay Park Phase I	Skateboard Park	Downtown Redevelopment	Phillips Park	Rails to Trails
\$	\$	\$	\$	\$	\$	\$	\$
							193,253
							193,253
9,826	247,235		75,762		16,291	16,365	261,447
9,826	247,235		75,762		16,291	16,365	261,447
(9,826)	(247,235)		(75,762)		(16,291)	(16,365)	(68,194)
	210,000						
							100,000
	210,000						100,000
(9,826)	(37,235)		(75,762)		(16,291)	(16,365)	31,806
19,158	80,848	8,983	83,208	680	23,753	25,095	663,093
\$ 9,332	\$ 43,613	\$ 8,983	\$ 7,446	\$ 680	\$ 7,462	\$ 8,730	\$ 694,899

City of Jacksonville, North Carolina
Non-Major Capital Project Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Continued)
For the Fiscal Year Ended June 30, 2003
With Comparative Totals for the Fiscal Year Ended June 30, 2002

	City Hall Expansion	Sturgeon City	Brook Valley Park	Jacksonville Business Park	Riverwalk Crossing	Northeast Creek Boardwalk Park III
Revenues:						
Investment earnings	\$ 27,258	\$	\$	\$	\$	\$
Water Access grant						
NC Transp Enhancement grant						
NC Transit Development grant						
LWCF grant						
NC Coastal Stormwater grant						
Smithfield Grant						
Wetlands Restoration						
NCDOT SMAP						
FEMA						
Hazard Mitigation						
Contributions						
Loop Fares						
Onslow County Joint Project						
Miscellaneous revenues						
Total revenues	<u>27,258</u>					
Expenditures:						
Capital Outlay:						
Other improvements	<u>1,028,478</u>	<u>18,323</u>			<u>20,214</u>	
Total expenditures	<u>1,028,478</u>	<u>18,323</u>			<u>20,214</u>	
Revenues over (under) expenditures	<u>(1,001,220)</u>	<u>(18,323)</u>			<u>(20,214)</u>	
Other financing sources:						
Proceeds from borrowing	5,000,000					
Transfers in	80,000	300,375				
Transfers (out)						
Sale of fixed assets						
Total other financing sources (uses)	<u>5,080,000</u>	<u>300,375</u>				
Excess of revenues and other sources over (under) expenditures and other uses	<u>4,078,780</u>	<u>282,052</u>			<u>(20,214)</u>	
Fund balances:						
Beginning of year, July 1	<u>234,069</u>	<u>1,136</u>	<u>14,564</u>	<u>9,021</u>	<u>289,632</u>	<u>8,400</u>
End of year, June 30	<u>\$ 4,312,849</u>	<u>\$ 283,188</u>	<u>\$ 14,564</u>	<u>\$ 9,021</u>	<u>\$ 269,418</u>	<u>\$ 8,400</u>

<u>Sturgeon City Park</u>	<u>Police Remodeling</u>	<u>Non-Powell Bill Projects</u>	<u>Citywide Landscaping</u>	<u>NC24 Culvert Trail</u>	<u>Transportation Demonstration</u>	<u>Marine Corps Museum</u>
\$	\$	\$	\$	\$	\$	\$
20,355						
24,002					50,000	
					4,600	
<u>44,357</u>					<u>54,600</u>	
64,712	2,999		56,240		103,012	
64,712	2,999		56,240		103,012	
<u>(20,355)</u>	<u>(2,999)</u>		<u>(56,240)</u>		<u>(48,412)</u>	
	2,296	397,460	2,300		117,500	100,000
	2,296	397,460	2,300		117,500	100,000
(20,355)	(703)	397,460	(53,940)		69,088	100,000
<u>221,116</u>	<u>50,000</u>	<u>5,015</u>	<u>59,040</u>	<u>150,000</u>	<u>2,559</u>	
<u>\$ 200,761</u>	<u>\$ 49,297</u>	<u>\$ 402,475</u>	<u>\$ 5,100</u>	<u>\$ 150,000</u>	<u>\$ 71,647</u>	<u>\$ 100,000</u>

City of Jacksonville, North Carolina
Non-Major Capital Project Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Continued)
For the Fiscal Year Ended June 30, 2003
With Comparative Totals for the Fiscal Year Ended June 30, 2002

	Wilson Bay Initiative	Smithfield Grant/ Wilson Bay	Fire Training Facility	Youth Center	Vietnam Veterans Memorial
Revenues:					
Investment earnings	\$	\$	\$	\$	\$
Water Access grant					
NC Transp Enhancement grant					
NC Transit Development grant					
LWCF grant					
NC Coastal Stormwater grant					
Smithfield Grant		373,500			
Wetlands Restoration					
NCDOT SMAP					
FEMA					
Hazard Mitigation					
Contributions			13,000		
Loop Fares					
Onslow County Joint Project					
Miscellaneous revenues					
Total revenues		373,500	13,000		
Expenditures:					
Capital Outlay:					
Other improvements	8,169	207,504		7,061	
Total expenditures	8,169	207,504		7,061	
Revenues over (under) expenditures	(8,169)	165,996	13,000	(7,061)	
Other financing sources:					
Proceeds from borrowing					
Transfers in	41,375		25,000	50,000	100,000
Transfers (out)					
Sale of fixed assets					
Total other financing sources (uses)	41,375		25,000	50,000	100,000
Excess of revenues and other sources over (under) expenditures and other uses	33,206	165,996	38,000	42,939	100,000
Fund balances:					
Beginning of year, July 1	10,990				
End of year, June 30	\$ 44,196	\$ 165,996	\$ 38,000	\$ 42,939	\$ 100,000

<u>Fire Training Equipment</u>	<u>Trails and Greenways</u>	<u>Kerr Street Park</u>	<u>Downtown Riverfront Development</u>	<u>Northwoods Playground</u>	<u>Henderson Drive Widening</u>	<u>Mill Creek Hazard Mitigation</u>
\$	\$	\$	\$	\$	\$	\$
15,283						35,863
<u>15,283</u>						<u>35,863</u>
16,978					150,000	35,863
<u>16,978</u>					<u>150,000</u>	<u>35,863</u>
(1,695)					(150,000)	
10,325						
	(200)	(662)	(1)	(563)		
<u>10,325</u>	<u>(200)</u>	<u>(662)</u>	<u>(1)</u>	<u>(563)</u>		
8,630	(200)	(662)	(1)	(563)	(150,000)	
	200	662	1	563	150,000	
<u>\$ 8,630</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

City of Jacksonville, North Carolina
Non-Major Capital Project Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Continued)
For the Fiscal Year Ended June 30, 2003
With Comparative Totals for the Fiscal Year Ended June 30, 2002

Statement 21,
continued.

	Totals	
	June 30, 2003	June 30, 2002
Revenues:		
Investment earnings	\$ 53,086	\$ 50,574
Water Access grant		49,601
NC Transp Enhancement grant	193,253	573,301
NC Transit Development grant		18,142
LWCF grant	20,355	8,057
NC Coastal Stormwater grant		26,800
Smithfield Grant	373,500	
Wetlands Restoration	24,002	
NCDOT SMAP	50,000	
FEMA	15,283	
Hazard Mitigation	35,863	
Contributions	13,000	11,294
Loop Fares	4,600	
Onslow County Joint Project		25,000
Miscellaneous revenues	13,529	2,033
Total revenues	<u>796,471</u>	<u>764,802</u>
Expenditures:		
Capital Outlay:		
Other improvements	<u>3,075,534</u>	<u>2,891,078</u>
Total expenditures	<u>3,075,534</u>	<u>2,891,078</u>
Revenues over (under) expenditures	<u>(2,279,063)</u>	<u>(2,126,276)</u>
Other financing sources:		
Proceeds from borrowing	5,000,000	2,066,000
Transfers in	2,476,101	2,039,182
Transfers (out)	(1,426)	(1,748,278)
Sale of fixed assets	<u>100,000</u>	
Total other financing sources (uses)	<u>7,574,675</u>	<u>2,356,904</u>
Excess of revenues and other sources over (under) expenditures and other uses	5,295,612	230,628
Fund balances:		
Beginning of year, July 1	<u>4,443,030</u>	<u>4,212,402</u>
End of year, June 30	<u>\$ 9,738,642</u>	<u>\$ 4,443,030</u>

City of Jacksonville, North Carolina
Northeast Creek Park Phase II Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 22

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Contributions	\$ 949	\$ 950	\$	\$ 950	\$ 1
Total revenues	949	950		950	1
Expenditures:					
Capital outlay:					
Other improvements		158,405	623	159,028	
Total expenditures	200,949	158,405	623	159,028	41,921
Revenues (under) expenditures	(200,000)	(157,455)	(623)	(158,078)	41,922
Other financing sources:					
Installment purchase proceeds	60,000	60,000		60,000	
Transfers in--					
From Capital Reserve Fund	140,000	140,000		140,000	
Total other financing sources	200,000	200,000		200,000	
Increase (decrease) in fund balance	<u>\$ 0</u>	<u>\$ 42,545</u>	(623)	<u>\$ 41,922</u>	<u>\$ 41,922</u>
Fund balance:					
Beginning of year, July 1			42,545		
End of year, June 30			<u>\$ 41,922</u>		

City of Jacksonville, North Carolina
Street Improvements Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 23

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ 938,196	\$ 811,057	\$ 25,828	\$ 836,885	\$ (101,311)
Contributions	321,000	321,000		321,000	
Miscellaneous	22,270	8,741	13,529	22,270	
Total revenues	1,281,466	1,140,798	39,357	1,180,155	(101,311)
Expenditures:					
Capital outlay:					
Other improvements		10,045,717	559,364	10,605,081	
Total expenditures	13,261,979	10,045,717	559,364	10,605,081	2,656,898
Revenues (under) expenditures	(11,980,513)	(8,904,919)	(520,007)	(9,424,926)	2,555,587
Other financing sources (uses):					
Transfers in--					
From General Fund	10,378,475	10,378,475		10,378,475	
From General Fund - Powell Bill	1,318,682	394,212	924,470	1,318,682	
From Capital Reserve Fund	352,208	352,208		352,208	
From Special Revenue Fund	2,496	2,496		2,496	
Appropriated Fund Balance	332,285				(332,285)
Transfers (out)--					
To General Fund	(403,633)	(403,633)		(403,633)	
Total other financing sources	11,980,513	10,723,758	924,470	11,648,228	(332,285)
Increase in fund balance	\$ 0	\$ 1,818,839	404,463	\$ 2,223,302	\$ 2,223,302
Fund balance:					
Beginning of year, July 1			1,818,839		
End of year, June 30			\$ 2,223,302		

City of Jacksonville, North Carolina
Fire Station #4 Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 24

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ 96,700	\$ 94,944	\$	\$ 94,944	\$ (1,756)
Miscellaneous	8,276	8,277		8,277	1
Total revenues	104,976	103,221		103,221	(1,755)
Expenditures:					
Capital outlay:					
Other improvements		1,818,359	96,372	1,914,731	
Total expenditures	2,085,672	1,818,359	96,372	1,914,731	170,941
Revenues (under) expenditures	(1,980,696)	(1,715,138)	(96,372)	(1,811,510)	169,186
Other financing sources (uses):					
Installment purchase proceeds	1,772,668	1,772,668		1,772,668	
Transfers in--					
From General Fund	5,000	5,000		5,000	
From Capital Reserve Fund	208,000	208,000		208,000	
Transfers (out)--					
To General Fund	(4,972)	(4,972)		(4,972)	
Total other financing sources	1,980,696	1,980,696		1,980,696	
Increase (decrease) in fund balance	\$ 0	\$ 265,558	(96,372)	\$ 169,186	\$ 169,186
Fund balance:					
Beginning of year, July 1			265,558		
End of year, June 30			\$ 169,186		

City of Jacksonville, North Carolina
Demolition Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 25

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Miscellaneous	\$ 2,420	\$ 2,420	\$	\$ 2,420	\$
Total revenues	2,420	2,420		2,420	
Expenditures:					
Capital outlay:					
Other improvements		276,281	49,440	325,721	
Total expenditures	475,420	276,281	49,440	325,721	149,699
Revenues (under) expenditures	(473,000)	(273,861)	(49,440)	(323,301)	149,699
Other financing sources:					
Transfers in--					
From General Fund	233,000	133,000	100,000	233,000	
From Capital Reserve Fund	240,000	240,000		240,000	
Total other financing sources	473,000	373,000	100,000	473,000	
Increase in fund balance	\$ 0	\$ 99,139	50,560	\$ 149,699	\$ 149,699
Fund balance:					
Beginning of year, July 1			99,139		
End of year, June 30			\$ 149,699		

City of Jacksonville, North Carolina
Country Club Park Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 26

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$
Expenditures:					
Capital outlay:					
Other improvements					
Total expenditures	75,000				75,000
Revenues (under) expenditures	(75,000)				75,000
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	75,000	75,000		75,000	
Total other financing sources	75,000	75,000		75,000	
 Increase in fund balance	 \$ 0	 \$ 75,000	 \$ 0	 \$ 75,000	 \$ 75,000

City of Jacksonville, North Carolina
Richard Ray All America Park Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 27

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Recreation grant	\$ 250,000	\$ 250,000	\$	\$ 250,000	\$
Contribution	50,000	49,585		49,585	(415)
Miscellaneous	14,369	14,368		14,368	(1)
Total revenues	314,369	313,953		313,953	(416)
Expenditures:					
Capital outlay:					
Other improvements		533,790	23,256	557,046	
Total expenditures	579,369	533,790	23,256	557,046	22,323
Revenues (under) expenditures	(265,000)	(219,837)	(23,256)	(243,093)	21,907
Other financing sources:					
Transfers in--					
From General Fund	250,000	250,000		250,000	
From Capital Reserve Fund	15,000		15,000	15,000	
Total other financing sources	265,000	250,000	15,000	265,000	
Increase (decrease) in fund balance	\$ 0	\$ 30,163	(8,256)	\$ 21,907	\$ 21,907
Fund balance:					
Beginning of year, July 1			30,163		
End of year, June 30			\$ 21,907		

City of Jacksonville, North Carolina
 Sherwood Forest Park Capital Project Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 28

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$
Expenditures:					
Capital outlay:					
Other improvements		30,842	9,826	40,668	
Total expenditures	50,000	30,842	9,826	40,668	9,332
Revenues (under) expenditures	(50,000)	(30,842)	(9,826)	(40,668)	9,332
Other financing sources:					
Installment purchase proceeds	25,000	25,000		25,000	
Transfers in--					
From Capital Reserve Fund	25,000	25,000		25,000	
Total other financing sources	50,000	50,000		50,000	
Increase (decrease) in fund balance	\$ 0	\$ 19,158	(9,826)	\$ 9,332	\$ 9,332
Fund Balance:					
Beginning of year, July 1			19,158		
End of year, June 30			\$ 9,332		

City of Jacksonville, North Carolina
Civic Facility Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 29

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Contribution - Onslow County	\$ 52,884	\$ 54,201	\$	\$ 54,201	\$ 1,317
Total revenues	52,884	54,201		54,201	1,317
Expenditures:					
Capital outlay:					
Other improvements		171,834	247,235	419,069	
Total expenditures	11,261,365	171,834	247,235	419,069	10,842,296
Revenues (under) expenditures	(11,208,481)	(117,633)	(247,235)	(364,868)	10,843,613
Other financing sources (uses):					
Installment purchase proceeds	10,000,000				(10,000,000)
Transfers in--					
From Capital Reserve Fund	1,203,481	193,481	210,000	403,481	(800,000)
From General Fund	145,000	145,000		145,000	
Transfers (out)--					
To General Fund	(140,000)	(140,000)		(140,000)	
Total other financing sources	11,208,481	198,481	210,000	408,481	(10,800,000)
Increase (decrease) in fund balance	\$ 0	\$ 80,848	(37,235)	\$ 43,613	\$ 43,613
Fund balance:					
Beginning of year, July 1			80,848		
End of year, June 30			\$ 43,613		

City of Jacksonville, North Carolina
Woodlands Park Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 30

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$
Expenditures:					
Capital outlay:					
Other improvements		162,017		162,017	
Total expenditures	171,000	162,017		162,017	8,983
Revenues (under) expenditures	(171,000)	(162,017)		(162,017)	8,983
Other financing sources (uses):					
Transfers in--					
From Capital Reserve Fund	175,000	175,000		175,000	
Transfers (out)--					
To General Fund	(4,000)	(4,000)		(4,000)	
Total other financing sources	171,000	171,000		171,000	
Increase in fund balance	\$ 0	\$ 8,983	\$ 0	\$ 8,983	\$ 8,983

City of Jacksonville, North Carolina
Wilson Bay Park Phase I Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 31

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Contribution	\$ 550	\$ 550	\$	\$ 550	\$
Water Access grant	52,500	52,500		52,500	
Total revenues	53,050	53,050		53,050	
Expenditures:					
Capital outlay:					
Other improvements		141,592	75,762	217,354	
Total expenditures	224,800	141,592	75,762	217,354	7,446
Revenues (under) expenditures	(171,750)	(88,542)	(75,762)	(164,304)	7,446
Other financing sources (uses):					
Installment purchase proceeds	75,000	75,000		75,000	
Transfers in--					
From Capital Reserve Fund	97,500	97,500		97,500	
Transfers (out)--					
To Capital Reserve Fund	(750)	(750)		(750)	
Total other financing sources	171,750	171,750		171,750	
Increase (decrease) in fund balance	\$ 0	\$ 83,208	(75,762)	\$ 7,446	\$ 7,446
Fund balance:					
Beginning of year, July 1			83,208		
End of year, June 30			\$ 7,446		

City of Jacksonville, North Carolina
Skateboard Park Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 32

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$
Expenditures:					
Capital outlay:					
Other improvements		111,320		111,320	
Total expenditures	112,000	111,320		111,320	680
Revenues (under) expenditures	(112,000)	(111,320)		(111,320)	680
Other financing sources (uses):					
Transfers in--					
From Capital Reserve Fund	90,000	90,000		90,000	
From General Fund	25,000	25,000		25,000	
Transfers (out)--					
To General Fund	(3,000)	(3,000)		(3,000)	
Total other financing sources	112,000	112,000		112,000	
Increase in fund balance	\$ 0	\$ 680	\$ 0	\$ 680	\$ 680

City of Jacksonville, North Carolina
Downtown Redevelopment Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 33

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$
Expenditures:					
Capital outlay:					
Other improvements		121,247	16,291	137,538	
Total expenditures	145,000	121,247	16,291	137,538	7,462
Revenues (under) expenditures	(145,000)	(121,247)	(16,291)	(137,538)	7,462
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	145,000	145,000		145,000	
Total other financing sources	145,000	145,000		145,000	
Increase (decrease) in fund balance	\$ 0	\$ 23,753	(16,291)	\$ 7,462	\$ 7,462
Fund Balance:					
Beginning of year, July 1			23,753		
End of year, June 30			\$ 7,462		

City of Jacksonville, North Carolina
Phillips Park Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 34

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$
Expenditures:					
Capital outlay:					
Other improvements		90,405	16,365	106,770	
Total expenditures	115,500	90,405	16,365	106,770	8,730
Revenues (under) expenditures	(115,500)	(90,405)	(16,365)	(106,770)	8,730
Other financing sources:					
Installment purchase proceeds	50,000	50,000		50,000	
Transfers in--					
From General Fund	15,500	15,500		15,500	
From Capital Reserve Fund	50,000	50,000		50,000	
Total other financing sources	115,500	115,500		115,500	
 Increase (decrease) in fund balance	<u>\$ 0</u>	<u>\$ 25,095</u>	(16,365)	<u>\$ 8,730</u>	<u>\$ 8,730</u>
Fund Balance:					
Beginning of year, July 1			25,095		
End of year, June 30			<u>\$ 8,730</u>		

City of Jacksonville, North Carolina
Rails to Trails Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 35

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
NC Transportation Enhancement grant	\$ 1,075,394	\$ 478,562	\$ 193,253	\$ 671,815	\$ (403,579)
Bike Pedestrian grant	400,000				(400,000)
Investment earnings	48,728	46,943		46,943	(1,785)
Total revenues	1,524,122	525,505	193,253	718,758	(805,364)
Expenditures:					
Capital outlay:					
Other improvements		598,203	261,447	859,650	
Total expenditures	2,359,913	598,203	261,447	859,650	1,500,263
Revenues (under) expenditures	(835,791)	(72,698)	(68,194)	(140,892)	694,899
Other financing sources:					
Transfers in--					
From General Fund	316,000	316,000		316,000	
From Capital Reserve Fund	419,791	419,791		419,791	
Sale of fixed asset	100,000		100,000	100,000	
Total other financing sources	835,791	735,791	100,000	835,791	
Increase in fund balance	\$ 0	\$ 663,093	31,806	\$ 694,899	\$ 694,899
Fund balance:					
Beginning of year, July 1			663,093		
End of year, June 30			\$ 694,899		

City of Jacksonville, North Carolina
City Hall Expansion
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 36

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Contribution - Onslow County	\$ 10,307	\$ 10,308	\$	\$ 10,308	\$ 1
Investment earnings	27,939		27,258	27,258	(681)
Total revenues	38,246	10,308	27,258	37,566	(680)
Expenditures:					
Capital outlay:					
Other improvements		248,706	1,028,478	1,277,184	
Total expenditures	5,590,713	248,706	1,028,478	1,277,184	4,313,529
Revenues (under) expenditures	(5,552,467)	(238,398)	(1,001,220)	(1,239,618)	4,312,849
Other financing sources:					
Installment purchase proceeds	5,000,000		5,000,000	5,000,000	
Transfers in--					
From Capital Reserve Fund	472,467	472,467		472,467	
From General Fund	80,000		80,000	80,000	
Total other financing sources	5,552,467	472,467	5,080,000	5,552,467	
Increase in fund balance	\$ 0	\$ 234,069	4,078,780	\$ 4,312,849	\$ 4,312,849
Fund balance:					
Beginning of year, July 1			234,069		
End of year, June 30			\$ 4,312,849		

City of Jacksonville, North Carolina
Sturgeon City Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 37

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Contribution - Onslow County	\$ 25,000	\$ 25,000	\$	\$ 25,000	\$
Total revenues	25,000	25,000		25,000	
Expenditures:					
Capital outlay:					
Other improvements		300,998	18,323	319,321	
Total expenditures	4,302,509	300,998	18,323	319,321	3,983,188
Revenues (under) expenditures	(4,277,509)	(275,998)	(18,323)	(294,321)	3,983,188
Other financing sources:					
Installment purchase proceeds	3,700,000				(3,700,000)
Transfers in--					
From Capital Reserve Fund	577,509	277,134	300,375	577,509	
Total other financing sources	4,277,509	277,134	300,375	577,509	(3,700,000)
Increase in fund balance	\$ 0	\$ 1,136	282,052	\$ 283,188	\$ 283,188
Fund balance:					
Beginning of year, July 1			1,136		
End of year, June 30			\$ 283,188		

City of Jacksonville, North Carolina
 Brook Valley Park Capital Project Fund
 Schedule of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 38

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$
Expenditures:					
Capital outlay:					
Other improvements		35,436		35,436	
Total expenditures	50,000	35,436		35,436	14,564
Revenues (under) expenditures	(50,000)	(35,436)		(35,436)	14,564
Other financing sources:					
Installment purchase proceeds	25,000	25,000		25,000	
Transfers in--					
From Capital Reserve Fund	25,000	25,000		25,000	
Total other financing sources	50,000	50,000		50,000	
 Increase in fund balance	 \$ 0	 \$ 14,564	 \$ 0	 \$ 14,564	 \$ 14,564

City of Jacksonville, North Carolina
Jacksonville Business Park Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 39

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ 6,000	\$ 5,538	\$	\$ 5,538	\$ (462)
Total revenues	6,000	5,538		5,538	(462)
Expenditures:					
Capital outlay:					
Other improvements		221,517		221,517	
Total expenditures	231,000	221,517		221,517	9,483
Revenues (under) expenditures	(225,000)	(215,979)		(215,979)	9,021
Other financing sources:					
Transfers in--					
From General Fund	225,000	225,000		225,000	
Total other financing sources	225,000	225,000		225,000	
Increase in fund balance	\$ 0	\$ 9,021	\$ 0	\$ 9,021	\$ 9,021

City of Jacksonville, North Carolina
Riverwalk Crossing Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 40

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
NC Transporation Enhancement grant	\$ 145,011	\$ 145,011	\$	\$ 145,011	\$
Total revenues	145,011	145,011		145,011	
Expenditures:					
Capital outlay:					
Other improvements		1,848,164	20,214	1,868,378	
Total expenditures	2,137,796	1,848,164	20,214	1,868,378	269,418
Revenues (under) expenditures	(1,992,785)	(1,703,153)	(20,214)	(1,723,367)	269,418
Other financing sources (uses):					
Installment purchase proceeds	1,741,000	1,741,000		1,741,000	
Transfers in--					
From Capital Reserve Fund	1,741,685	1,741,685		1,741,685	
From General Fund - Powell Bill	251,100	251,100		251,100	
Transfers (out)--					
To Capital Reserve Fund	(1,741,000)	(1,741,000)		(1,741,000)	
Total other financing sources	1,992,785	1,992,785		1,992,785	
Increase (decrease) in fund balance	\$ 0	\$ 289,632	(20,214)	\$ 269,418	\$ 269,418
Fund Balance:					
Beginning of year, July 1			289,632		
End of year, June 30			\$ 269,418		

City of Jacksonville, North Carolina
Northeast Creek Boardwalk Park III Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 41

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Water Access grant	\$ 75,000	\$ 49,801	\$	\$ 49,801	\$ (25,199)
Total revenues	75,000	49,801		49,801	(25,199)
Expenditures:					
Capital outlay:					
Other improvements		66,401		66,401	
Total expenditures	100,000	66,401		66,401	33,599
Revenues (under) expenditures	(25,000)	(16,600)		(16,600)	8,400
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	25,000	25,000		25,000	
Total other financing sources	25,000	25,000		25,000	
Increase in fund balance	\$ 0	\$ 8,400	\$ 0	\$ 8,400	\$ 8,400

City of Jacksonville, North Carolina
Sturgeon City Park Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 42

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
LWCF grant	\$ 231,676	\$ 10,560	\$ 20,355	\$ 30,915	\$ (200,761)
Water Access Grant	200,000				(200,000)
Wetlands Restoration	192,000		24,002	24,002	(167,998)
Total revenues	623,676	10,560	44,357	54,917	(568,759)
Expenditures:					
Capital outlay:					
Other improvements		21,120	64,712	85,832	
Total expenditures	855,352	21,120	64,712	85,832	769,520
Revenues (under) expenditures	(231,676)	(10,560)	(20,355)	(30,915)	200,761
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	231,676	231,676		231,676	
Total other financing sources	231,676	231,676		231,676	
Increase (decrease) in fund balance	\$ 0	\$ 221,116	(20,355)	\$ 200,761	\$ 200,761
Fund Balance:					
Beginning of year, July 1			221,116		
End of year, June 30			\$ 200,761		

City of Jacksonville, North Carolina
Police Remodeling Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 43

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$
Expenditures:					
Capital outlay:					
Other improvements			2,999	2,999	
Total expenditures	52,296		2,999	2,999	49,297
Revenues (under) expenditures	(52,296)		(2,999)	(2,999)	49,297
Other financing sources:					
Transfers in--					
From General Fund	52,296	50,000	2,296	52,296	
Total other financing sources	52,296	50,000	2,296	52,296	
Increase (decrease) in fund balance	\$ 0	\$ 50,000	(703)	\$ 49,297	\$ 49,297
Fund Balance:					
Beginning of year, July 1			50,000		
End of year, June 30			\$ 49,297		

City of Jacksonville, North Carolina
Non-Powell Bill Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 44

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$
Expenditures:					
Capital outlay:					
Other improvements		36,413		36,413	
Total expenditures	438,888	36,413		36,413	402,475
Revenues (under) expenditures	(438,888)	(36,413)		(36,413)	402,475
Other financing sources:					
Transfers in--					
From General Fund	438,888	41,428	397,460	438,888	
Total other financing sources	438,888	41,428	397,460	438,888	
Increase in fund balance	\$ 0	\$ 5,015	397,460	\$ 402,475	\$ 402,475
Fund Balance:					
Beginning of year, July 1			5,015		
End of year, June 30			\$ 402,475		

City of Jacksonville, North Carolina
Citywide Landscaping Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 45

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$
Expenditures:					
Capital outlay:					
Other improvements		79,270	56,240	135,510	
Total expenditures	140,610	79,270	56,240	135,510	5,100
Revenues (under) expenditures	(140,610)	(79,270)	(56,240)	(135,510)	5,100
Other financing sources:					
Installment purchase proceeds	90,000	90,000		90,000	
Transfers in--					
From General Fund	42,500	42,500		42,500	
From Capital Reserve Fund	8,110	5,810	2,300	8,110	
Total other financing sources	140,610	138,310	2,300	140,610	
 Increase (decrease) in fund balance	<u>\$ 0</u>	<u>\$ 59,040</u>	(53,940)	<u>\$ 5,100</u>	<u>\$ 5,100</u>
Fund Balance:					
Beginning of year, July 1			59,040		
End of year, June 30			<u>\$ 5,100</u>		

City of Jacksonville, North Carolina
NC24 Culvert Trail Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 46

	Project Authorization	Actual	Actual	Actual	Variance Positive (Negative)
		Prior Years	Current Year	Total to Date	
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$
Expenditures:					
Capital outlay:					
Other improvements					
Total expenditures	150,000				150,000
Revenues (under) expenditures	(150,000)				150,000
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	150,000	150,000		150,000	
Total other financing sources	150,000	150,000		150,000	
 Increase in fund balance	 \$ 0	 \$ 150,000	 \$ 0	 \$ 150,000	 \$ 150,000

City of Jacksonville, North Carolina
Transportation Demonstration Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 47

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
104F Transportation Grant	\$ 60,000	\$	\$	\$	\$ (60,000)
FTA Section 5303	20,000				(20,000)
5303 State Grant	2,500				(2,500)
NC Transit Development program	18,142	18,142		18,142	
NCDOT SMAP	100,000		50,000	50,000	(50,000)
Loop Fares	1,500		4,600	4,600	3,100
Total revenues	<u>202,142</u>	<u>18,142</u>	<u>54,600</u>	<u>72,742</u>	<u>(129,400)</u>
Expenditures:					
Capital outlay:					
Other improvements		36,283	103,012	139,295	(139,295)
Total expenditures	<u>340,342</u>	<u>36,283</u>	<u>103,012</u>	<u>139,295</u>	<u>201,047</u>
Revenues (under) expenditures	<u>(138,200)</u>	<u>(18,141)</u>	<u>(48,412)</u>	<u>(66,553)</u>	<u>71,647</u>
Other financing sources:					
Transfers in--					
From General Fund	85,500	18,000	67,500	85,500	
From Capital Reserve Fund	52,700	2,700	50,000	52,700	
Total other financing sources	<u>138,200</u>	<u>20,700</u>	<u>117,500</u>	<u>138,200</u>	
Increase in fund balance	<u>\$ 0</u>	<u>\$ 2,559</u>	69,088	<u>\$ 71,647</u>	<u>\$ 71,647</u>
Fund Balance:					
Beginning of year, July 1			2,559		
End of year, June 30			<u>\$ 71,647</u>		

City of Jacksonville, North Carolina
Marine Corps Museum Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 48

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$
Expenditures:					
Capital outlay:					
Other improvements		100,000		100,000	
Total expenditures	200,000	100,000		100,000	100,000
Revenues (under) expenditures	(200,000)	(100,000)		(100,000)	100,000
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	200,000	100,000	100,000	200,000	
Total other financing sources	200,000	100,000	100,000	200,000	
Increase in fund balance	\$ 0	\$ 0	100,000	\$ 100,000	\$ 100,000
Fund Balance:					
Beginning of year, July 1					
End of year, June 30			\$ 100,000		

City of Jacksonville, North Carolina
Wilson Bay Initiative Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 49

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$
Expenditures:					
Capital outlay:					
Other improvements		89,010	8,169	97,179	
Total expenditures	141,375	89,010	8,169	97,179	44,196
Revenues (under) expenditures	(141,375)	(89,010)	(8,169)	(97,179)	44,196
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	141,375	100,000	41,375	141,375	
Total other financing sources	141,375	100,000	41,375	141,375	
Increase in fund balance	\$ 0	\$ 10,990	33,206	\$ 44,196	\$ 44,196
Fund Balance:					
Beginning of year, July 1			10,990		
End of year, June 30			\$ 44,196		

City of Jacksonville, North Carolina
Smithfield Grant/Wilson Bay Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 50

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Smithfield Grant	\$ 500,000	\$	\$ 373,500	\$ 373,500	\$ (126,500)
Total revenues	500,000		373,500	373,500	(126,500)
Expenditures:					
Capital outlay:					
Other improvements			207,504	207,504	
Total expenditures	500,000		207,504	207,504	292,496
Revenues over expenditures			165,996	165,996	165,996
Increase in fund balance	\$ 0	\$ 0	165,996	\$ 165,996	\$ 165,996
Fund Balance:					
Beginning of year, July 1					
End of year, June 30			\$ 165,996		

City of Jacksonville, North Carolina
Fire Training Facility Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 51

	Project	Actual			Variance
	Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Revenues:					
Contributions from Coastal Carolina					
Community College	\$ 13,000		\$ 13,000	\$ 13,000	\$
Total revenues	13,000		13,000	13,000	
Expenditures:					
Capital outlay:					
Other improvements					
Total expenditures	38,000				38,000
Revenues over (under) expenditures	(25,000)		13,000	13,000	38,000
Other financing sources:					
Transfers in--					
From General Fund	25,000		25,000	25,000	
Total other financing sources	25,000		25,000	25,000	
Increase in fund balance	\$ 0	\$ 0	38,000	\$ 38,000	\$ 38,000
Fund Balance:					
Beginning of year, July 1					
End of year, June 30			\$ 38,000		

City of Jacksonville, North Carolina
Youth Center Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 52

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$
Expenditures:					
Capital outlay:					
Other improvements			7,061	7,061	
Total expenditures	50,000		7,061	7,061	42,939
Revenues (under) expenditures	(50,000)		(7,061)	(7,061)	42,939
Other financing sources:					
Transfers in--					
From General Fund	50,000		50,000	50,000	
Total other financing sources	50,000		50,000	50,000	
 Increase in fund balance	 \$ 0	 \$ 0	 42,939	 \$ 42,939	 \$ 42,939
Fund Balance:					
Beginning of year, July 1					
End of year, June 30			\$ 42,939		

City of Jacksonville, North Carolina
Vietnam Veterans Memorial Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 53

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3
Expenditures:					
Capital outlay:					
Other improvements					
Total expenditures	100,000				100,000
Revenues (under) expenditures	(100,000)				100,000
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	100,000		100,000	100,000	
Total other financing sources	100,000		100,000	100,000	
Increase in fund balance	\$ 0	\$ 0	100,000	\$ 100,000	\$ 100,000
Fund Balance:					
Beginning of year, July 1					
End of year, June 30			\$ 100,000		

City of Jacksonville, North Carolina
Fire Training Equipment Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 54

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
FEMA	\$ 92,934	\$	\$ 15,283	\$ 15,283	\$ (77,651)
Total revenues	92,934		15,283	15,283	(77,651)
Expenditures:					
Capital outlay:					
Other improvements					
Total expenditures	103,259		16,978	16,978	86,281
Revenues (under) expenditures	(10,325)		(1,695)	(1,695)	8,630
Other financing sources:					
Transfers in--					
From General Fund	10,325		10,325	10,325	
Total other financing sources	10,325		10,325	10,325	
Increase in fund balance	\$ 0	\$ 0	8,630	\$ 8,630	\$ 8,630
Fund Balance:					
Beginning of year, July 1					
End of year, June 30			\$ 8,630		

City of Jacksonville, North Carolina
Trails and Greenways Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 55

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Adopt a Trail grant	\$ 2,750	\$ 2,750	\$	\$ 2,750	\$
DEHNR National Trail grant	14,831	14,831		14,831	
Contribution	2,900	2,899		2,899	(1)
Miscellaneous	13,632	13,632		13,632	
Total revenues	34,113	34,112		34,112	(1)
Expenditures:					
Capital outlay:					
Other improvements		75,805		75,805	
Total expenditures	75,806	75,805		75,805	1
Revenues (under) expenditures	(41,693)	(41,693)		(41,693)	
Other financing sources (uses):					
Transfers in--					
From General Fund	24,694	24,694		24,694	
From Western Blvd. Capital Project	26,000	26,000		26,000	
Transfers (out)--					
To General Fund	(9,001)	(8,801)	(200)	(9,001)	
Total other financing sources (uses)	41,693	41,893	(200)	41,693	
Increase (decrease) in fund balance	\$ 0	\$ 200	(200)	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1			200		
End of year, June 30			\$ 0		

City of Jacksonville, North Carolina
Kerr Street Park Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 56

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$
Expenditures:					
Capital outlay:					
Other improvements		144,439		144,439	
Total expenditures	144,439	144,439		144,439	
Revenues (under) expenditures	(144,439)	(144,439)		(144,439)	
Other financing sources (uses):					
Transfers in--					
From Capital Reserve Fund	147,601	147,601		147,601	
Transfers (out)--					
To General Fund	(2,500)	(2,500)		(2,500)	
To Capital Reserve Fund	(662)		(662)	(662)	
Total other financing sources (uses)	144,439	145,101	(662)	144,439	
Increase (decrease) in fund balance	\$ 0	\$ 662	(662)	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1			662		
End of year, June 30			\$ 0		

City of Jacksonville, North Carolina
Downtown Riverfront Development Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 57

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Historic Waterfront grant	\$ 50,000	\$ 50,000		\$ 50,000	\$
Total revenues	50,000	50,000		50,000	
Expenditures:					
Capital outlay:					
Other improvements		80,899		80,899	
Total expenditures	80,899	80,899		80,899	
Revenues (under) expenditures	(30,899)	(30,899)		(30,899)	
Other financing sources:					
Transfers in--					
From General Fund	30,900	30,900		30,900	
Transfers (out)--					
To General Fund	(1)		(1)	(1)	
Total other financing sources	30,899	30,900	(1)	30,899	
Increase (decrease) in fund balance	\$ 0	\$ 1	(1)	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1			1		
End of year, June 30			\$ 0		

City of Jacksonville, North Carolina
Northwoods Playground Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 58

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Contribution	\$ 4,000	\$ 4,000	\$	\$ 4,000	\$
Total revenues	4,000	4,000		4,000	
Expenditures:					
Capital outlay:					
Other improvements		28,437		28,437	
Total expenditures	28,437	28,437		28,437	
Revenues (under) expenditures	(24,437)	(24,437)		(24,437)	
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	25,000	25,000		25,000	
Transfers (out)--					
To Capital Reserve Fund	(563)		(563)	(563)	
Total other financing sources (uses)	24,437	25,000	(563)	24,437	
Increase (decrease) in fund balance	\$ 0	\$ 563	(563)	\$ 0	\$ 0
Fund balance:					
Beginning of year, July 1			563		
End of year, June 30			\$ 0		

City of Jacksonville, North Carolina
Henderson Drive Widening Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 59

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$
Expenditures:					
Capital outlay:					
Other improvements			150,000	150,000	
Total expenditures	150,000		150,000	150,000	
Revenues (under) expenditures	(150,000)		(150,000)	(150,000)	
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	150,000	150,000		150,000	
Total other financing sources	150,000	150,000		150,000	
Increase (decrease) in fund balance	\$ 0	\$ 150,000	(150,000)	\$ 0	\$ 0
Fund Balance:					
Beginning of year, July 1			150,000		
End of year, June 30			\$ 0		

City of Jacksonville, North Carolina
Mill Creek Hazard Mitigation Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 60

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Hazard Mitigation - Federal	\$ 26,898	\$	\$ 27,159	\$ 27,159	\$ 261
Hazard Mitigation - State	8,965		8,704	8,704	(261)
Total revenues	35,863		35,863	35,863	
Expenditures:					
Capital outlay:					
Other improvements			35,863	35,863	
Total expenditures	35,863		35,863	35,863	
Revenues (under) expenditures					
Increase in fund balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

City of Jacksonville, North Carolina
Country Club Road Widening Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 61

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Total revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$
Expenditures:					
Capital outlay:					
Total expenditures	87,500				87,500
Revenues (under) expenditures	(87,500)				87,500
Other financing sources:					
Transfers in--					
From Capital Reserve Fund	87,500				(87,500)
Increase in fund balance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Enterprise Funds

The Enterprise Funds are used to account for operations in the City of Jacksonville that are financed through user charges.

Individual Fund Descriptions:

Water and Sewer Fund - accounts for water and sewer operations.

Solid Waste Fund - accounts for solid waste disposal (county tipping fee) and recycling.

Water Capital Projects Fund - accounts for funds used in the construction of water facilities.

Sewer Capital Projects Fund - accounts for funds used in the construction of sewer facilities.

Water and Sewer Capital Reserve Fund - accounts for funds to be used for future capital needs.

City of Jacksonville, North Carolina
Enterprise Funds
Combining Balance Sheet
June 30, 2003
With Comparative Totals for June 30, 2002

Statement 62

			Totals	
	Water and Sewer Fund	Solid Waste Fund	June 30, 2003	June 30, 2002
Assets				
Current Assets:				
Cash and investments	\$ 7,547,119	\$ 703,902	\$ 8,251,021	\$ 9,437,280
Accounts receivable (net)	918,345	89,521	1,007,866	1,038,864
Interfund receivables	41,729		41,729	
Inventories	251,819		251,819	202,604
Total Current Assets	8,759,012	793,423	9,552,435	10,678,748
Restricted Assets:				
Cash and investments	3,682,467		3,682,467	3,813,347
Total Restricted Assets	3,682,467		3,682,467	3,813,347
Fixed Assets:				
Fixed assets (net)	62,627,239		62,627,239	63,388,508
Total Assets	<u>\$ 75,068,718</u>	<u>\$ 793,423</u>	<u>\$ 75,862,141</u>	<u>\$ 77,880,603</u>
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 696,049	\$ 131,111	\$ 827,160	\$ 746,555
Interfund payable	19,844		19,844	14,789
Installment purchases payable-current	989,737		989,737	799,056
Loans payable-current	1,363,249		1,363,249	1,363,249
Total Current Liabilities	3,068,879	131,111	3,199,990	2,923,649
Noncurrent Liabilities:				
Compensated absences payable	98,399		98,399	105,308
Deferred revenue	119,608		119,608	123,202
Customer deposits	362,206		362,206	339,886
Installment purchases payable-noncurrent	9,770,377		9,770,377	10,013,910
Loans payable-noncurrent	16,019,860		16,019,860	17,383,110
Total Noncurrent Liabilities	26,370,450		26,370,450	27,965,416
Total Liabilities	29,439,329	131,111	29,570,440	30,889,065
Net Assets	45,629,389	662,312	46,291,701	46,991,538
Total Liabilities and Net Assets	<u>\$ 75,068,718</u>	<u>\$ 793,423</u>	<u>\$ 75,862,141</u>	<u>\$ 77,880,603</u>

Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

For the Fiscal Year Ended June 30, 2003

With Comparative Totals for the Fiscal Year Ended June 30, 2002

			Totals	
	Water and Sewer Fund	Solid Waste Fund	June 30, 2003	June 30, 2002
Operating revenues:				
Charges for services	\$ 8,207,616	\$ 1,545,526	\$ 9,753,142	\$ 9,622,759
Total operating revenues	8,207,616	1,545,526	9,753,142	9,622,759
Operating expenses:				
Solid Waste Fund		1,445,894	1,445,894	1,390,586
Water/Sewer Administration	979,232		979,232	716,953
Water/Sewer Engineering	247,857		247,857	216,471
Water/Sewer Metering	261,709		261,709	329,455
Water/Sewer Lines Maintenance	1,251,001		1,251,001	1,183,667
Water Supply	621,018		621,018	505,621
Wastewater Treatment	1,319,862		1,319,862	1,274,622
Depreciation	3,883,221		3,883,221	3,807,638
Total operating expenses	8,563,900	1,445,894	10,009,794	9,425,013
Operating income	(356,284)	99,632	(256,652)	197,746
Nonoperating revenues (expenses):				
Investment earnings	180,632	10,408	191,040	340,440
FEMA				64,784
Assessments collected	1,159		1,159	1,930
Interest collected on assessments	247		247	659
Gain (loss) on sale of fixed assets	290		290	(51,235)
State Clean Water Bond grant	94,932		94,932	158,076
Interest on long-term debt	(1,167,834)		(1,167,834)	(1,356,580)
Total nonoperating revenues (expenses)	(890,574)	10,408	(880,166)	(841,926)
Income (loss) before capital contributions	(1,246,858)	110,040	(1,136,818)	(644,180)
Capital contributions	834,441		834,441	678,187
Income (loss) before operating transfers	(412,417)	110,040	(302,377)	34,007
Transfers:				
Transfers in				368,581
Transfers (out)	(397,460)		(397,460)	
Total transfers	(397,460)		(397,460)	368,581
Net income (loss)	(809,877)	110,040	(699,837)	402,588
Net Assets				446,974
Increase in Net Assets	(809,877)	110,040	(699,837)	849,562
Net Assets				
Beginning of year, July 1	24,658,646	552,042	25,210,688	24,361,126
Reclassification (see Note 1)	21,780,620	230	21,780,850	
End of year, June 30	\$ 45,629,389	\$ 662,312	\$ 46,291,701	\$ 25,210,688

City of Jacksonville, North Carolina

Statement 64

Enterprise Funds

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2003

With Comparative Totals for the Fiscal Year Ended June 30, 2002

			Totals	
	Water and Sewer Fund	Solid Waste Fund	June 30, 2003	June 30, 2002
Cash flows from operating activities:				
Cash received from customers	\$ 8,157,599	\$ 1,556,081	\$ 9,713,680	\$ 9,997,532
Cash paid for goods and services	(2,147,009)	(1,406,969)	(3,553,978)	(3,127,341)
Cash paid to employees	(2,487,913)	(30,008)	(2,517,921)	(2,368,564)
Customer deposits	22,320		22,320	37,350
Net cash provided by operating activities	3,544,997	119,104	3,664,101	4,538,977
Cash flows from noncapital financing activities:				
Contributions	94,932		94,932	133,076
Transfers in (out)	(397,460)		(397,460)	368,581
Net cash provided (used) by noncapital financing activities	(302,528)		(302,528)	501,657
Cash flows from capital and related financing activities:				
Principal paid on long-term debt	(2,204,902)		(2,204,902)	(2,135,552)
Interest paid on long-term debt	(1,167,834)		(1,167,834)	(1,356,580)
Proceeds from borrowing	788,800		788,800	88,282
Purchase of capital assets	(2,287,512)		(2,287,512)	(2,834,683)
Proceeds from sale of assets	290		290	
Assessments collected	1,159		1,159	1,930
Interest collected on assessments	247		247	659
Proceeds from FEMA				64,784
Net cash (used) by capital and related financing activities	(4,869,752)		(4,869,752)	(6,171,160)
Cash flows from investing activities:				
Interest earned on investments	180,632	10,408	191,040	340,440
Net cash provided by investing activities	180,632	10,408	191,040	340,440
Net increase (decrease) in cash and cash equivalents	(1,446,651)	129,512	(1,317,139)	(790,086)
Cash and cash equivalents, July 1	12,676,237	574,390	13,250,627	14,040,713
Cash and cash equivalents, June 30	\$ 11,229,586	\$ 703,902	\$ 11,933,488	\$ 13,250,627

Continued on next page.

City of Jacksonville, North Carolina
Enterprise Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2003
With Comparative Totals for the Fiscal Year Ended June 30, 2002

Statement 64,
continued.

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Totals</u> <u>June 30,</u> <u>2003</u>	<u>June 30,</u> <u>2002</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (356,284)	\$ 99,632	\$ (256,652)	\$ 197,746
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	3,883,221		3,883,221	3,807,638
Bad debt expense	27,625	(2,486)	25,139	37,329
Change in assets and liabilities:				
Increase (decrease) in accrued vacation pay	(6,909)		(6,909)	11,999
(Increase) decrease in prepaid expenses				
Increase (decrease) in accounts payable	69,201	11,403	80,604	102,954
(Increase) decrease in inventories	(49,215)		(49,215)	(50,503)
Increase (decrease) in due to other funds				(95)
Increase (decrease) in deferred revenues	(3,594)		(3,594)	(1,029)
Increase (decrease) in customer deposits	22,320		22,320	37,350
(Increase) decrease in accounts receivable	(4,694)	10,555	5,861	371,999
Increase (decrease) in due from other funds				3,803
(Increase) decrease in interfund receivables	(36,674)		(36,674)	19,786
Total adjustments	<u>3,901,281</u>	<u>19,472</u>	<u>3,920,753</u>	<u>4,341,231</u>
Net cash provided by operating activities	<u>\$ 3,544,997</u>	<u>\$ 119,104</u>	<u>\$ 3,664,101</u>	<u>\$ 4,538,977</u>
Noncash investing, capital, and financing activities:				
Capital contributed by developers	\$ 834,441		\$ 834,441	\$ 678,187
Gain (loss) on sale of capital assets				(51,235)

City of Jacksonville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures--
Budget and Actual (Non-GAAP)

Schedule 65

Page 1 of 4

For the Fiscal Year Ended June 30, 2003

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2002

	2003			2002
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Charges for sales and services:				
Water sales	\$ 1,800,000	\$ 1,925,210	\$ 125,210	\$ 1,880,931
Water tap fees	5,500	5,122	(378)	6,377
Water facility fees	200,000	204,409	4,409	231,972
Sewer sales	1,800,000	1,912,159	112,159	1,939,625
Sewer tap fees	3,300	3,627	327	1,997
Sewer facility fees	600,000	471,815	(128,185)	636,965
Late penalty charges	60,000	55,149	(4,851)	57,688
New account service charges	40,000	47,580	7,580	46,120
Interest collected on tap fees		26	26	
Onslow County Leachate	30,000	28,928	(1,072)	34,153
Land application user charge	3,116,198	3,366,513	250,315	3,091,477
Land application late fee	38,358	40,622	2,264	42,276
Miscellaneous operating revenue	141,273	146,456	5,183	109,337
Total	7,834,629	8,207,616	372,987	8,078,918
Nonoperating revenues:				
Interest earned on investments	120,000	180,632	60,632	328,335
FEMA				64,784
Assessments collected	1,200	1,159	(41)	1,930
Interest collected on assessments	250	247	(3)	659
Gain (loss) on sale of fixed assets	290	290		(51,235)
State Clean Water Bond grant		94,932	94,932	158,076
Capital contributions		834,441	834,441	678,187
Total	121,740	1,111,701	989,961	1,180,736
Total revenues	7,956,369	9,319,317	1,362,948	9,259,654
Expenditures				
Water/Sewer operations				
Administration				
Salaries and employee benefits		691,969		631,310
Supplies		(2,372)		52
Insurance		2,242		2,165
Maintenance and repair				160
Contracted Services-Info Technology		25,039		10,897
Contracted Services		8,362		21,286
Other departmental expenditures		226,367		15,432
Bad debt expense		27,625		35,651
Total		979,232		716,953

City of Jacksonville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures--
Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2003
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2002

Schedule 65
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	2003			2002
	Budget	Actual	Variance Positive (Negative)	Actual
Engineering				
Salaries and employee benefits	\$	\$ 164,385	\$	\$ 141,392
Supplies		3,533		2,077
Insurance		2,625		2,344
Maintenance and repair				50
Contracted services		32,067		22,706
Contracted Services-Info Technology		20,865		21,794
Other departmental expenditures		24,382		26,107
Total		247,857		216,470
Metering distribution				
Salaries and employee benefits		207,986		222,458
Supplies		14,889		79,084
Insurance		2,681		3,235
Maintenance and repair		506		20
Contracted services		171		403
Contracted Services-Info Technology		12,519		5,448
Other departmental expenditures		22,957		18,807
Total		261,709		329,455
Lines maintenance				
Salaries and employee benefits		761,672		729,582
Supplies		81,348		83,657
Insurance		8,504		5,520
Utilities		701		540
Maintenance and repair		79,245		111,116
Contracted services		174,654		182,153
Contracted Services-Info Technology		29,212		5,448
Other departmental expenditures		115,665		65,651
Total		1,251,001		1,183,667
Total Water/Sewer operations	3,855,904	2,739,799	1,116,105	2,446,545
Water supply				
Salaries and employee benefits		235,471		232,719
Supplies		21,883		20,587
Insurance		9,617		7,834
Utilities		200,664		221,863
Maintenance and repair		3,254		881
Contracted services		9,329		4,813
Contracted Services-Info Technology		125,192		
Other departmental expenditures		15,608		16,924
Total water supply	661,071	621,018	40,053	505,621

City of Jacksonville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures--
Budget and Actual (Non-GAAP)

Schedule 65
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For the Fiscal Year Ended June 30, 2003

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2002

	2003			2002
	Budget	Actual	Variance Positive (Negative)	Actual
Wastewater treatment				
Salaries and employee benefits	\$	\$ 419,521	\$	\$ 414,136
Supplies		92,424		97,626
Insurance		30,031		39,830
Utilities		562,141		498,078
Maintenance and repair		51,239		62,524
Contracted services		39,458		43,981
Contracted Services-Info Technology		41,731		38,139
Other departmental expenditures		83,317		80,308
Total wastewater treatment	1,345,901	1,319,862	26,039	1,274,622
Total	5,862,876	4,680,679	1,182,197	4,226,788
Budgetary appropriations:				
Interest paid	1,339,928	1,167,834	172,094	1,356,580
Debt principal	2,385,717	2,204,902	180,815	2,135,552
Increase (decrease) in inventory		49,215	(49,215)	50,503
(Increase) decrease in accrued vacation pay		6,910	(6,910)	(11,999)
Proceeds from borrowing	(188,800)	(188,800)		(88,282)
Appropriated retained earnings	(1,914,746)		(1,914,746)	
Transfers in--				
From water/sewer capital projects	(397,460)	(397,460)		
Transfers (out)--				
To water/sewer capital projects	238,394	238,394		340,785
To General Fund	397,460	397,460		
Capital outlay	233,000	131,961	101,039	80,473
Total budgetary appropriations	2,093,493	3,610,416	(1,516,923)	3,863,612
Total expenditures	\$ 7,956,369	\$ 8,291,095	\$ (334,726)	\$ 8,090,400

City of Jacksonville, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures--
Budget and Actual (Non-GAAP)

For the Fiscal Year Ended June 30, 2003
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2002

Schedule 65
Page 4 of 4

	<u>2003</u>			<u>2002</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
Reconciliation of modified accrual basis to full accrual basis:				
Total revenues		\$ 9,319,317		\$ 9,259,654
Total expenditures		<u>8,291,095</u>		<u>8,090,401</u>
Excess of revenues over expenditures		1,028,222		1,169,253
Budgetary appropriations (above):				
Payment of debt principal		2,204,902		2,135,552
Proceeds from borrowing		(188,800)		(88,282)
Increase in inventory		49,215		50,503
(Increase) decrease in accrued vacation pay		6,910		(11,999)
Capital outlay		131,961		80,473
Transfers		<u>238,394</u>		<u>340,785</u>
Total budgetary appropriations		2,442,582		2,507,032
Depreciation (Statement 63)		<u>(3,883,221)</u>		<u>(3,807,638)</u>
Net (loss) before transfers (Statement 63)		<u>\$ (412,417)</u>		<u>\$ (34,007)</u>

Note: Prepared on the budgetary basis, which is modified accrual.

City of Jacksonville, North Carolina
Solid Waste Fund
Schedule of Revenues and Expenditures--
Budget and Actual (Non-GAAP)

Schedule 66

For the Fiscal Year Ended June 30, 2003
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2002

	2003			2002
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Operating revenues:				
Charges for sales and services:				
Commercial fees	\$ 860,000	\$ 912,560	\$ 52,560	\$ 919,789
Commercial pickups	40,000	47,433	7,433	47,728
Residential fees	500,000	569,028	69,028	559,552
Other operating revenues	16,000	16,505	505	16,772
Total operating revenues	1,416,000	1,545,526	129,526	1,543,841
Nonoperating revenues:				
Interest earned on investments	9,500	10,408	908	12,105
Total nonoperating revenues	9,500	10,408	908	12,105
Total revenues	1,425,500	1,555,934	130,434	1,555,946
Expenditures:				
Salaries and employee benefits		30,008		28,752
Contracted services-landfill		1,413,400		1,360,156
Bad debt		2,486		1,678
Total	1,486,325	1,445,894	40,431	1,390,586
Budgetary appropriations:				
Appropriated retained earnings	(60,825)		(60,825)	
Total budgetary appropriations	(60,825)		(60,825)	
Total expenditures	\$ 1,425,500	\$ 1,445,894	\$ (20,394)	\$ 1,390,586
Reconciliation of modified accrual basis to full accrual basis:				
Total revenues		\$ 1,555,934		\$ 1,555,946
Total expenditures		1,445,894		1,390,586
Excess of revenues over expenditures		110,040		165,360
Net income (Statement 63)		\$ 110,040		\$ 165,360

Note: Prepared on the budgetary basis, which is modified accrual.

City of Jacksonville, North Carolina
Water Capital Projects Fund
Schedule of Revenues and Expenditures--
Budget and Actual (Non-GAAP)

Schedule 67

From Inception and for the Fiscal Year Ended June 30, 2003

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$	\$	\$ 275	\$ 275	\$ 275
Total revenues			275	275	275
Expenditures:					
Water tank painting	774,200	453,500	83,096	536,596	237,604
Water line replacements	1,221,104	629,694	98,880	728,574	492,530
Lejeune Boulevard water	148,500				148,500
Jacksonville Business Park water lines	166,000	61,441		61,441	104,559
Fire Protection water improvements	125,000				125,000
Million gallon water tank	1,600,000		73,919	73,919	1,526,081
Water distribution study	65,000	60,000	5,000	65,000	
Automated meter reading	1,500,000		131,872	131,872	1,368,128
Gum Branch Central	120,000				120,000
Well rehabilitation	28,000				28,000
DOT construction water impact	50,000		400	400	49,600
Total expenditures	5,797,804	1,204,635	393,167	1,597,802	4,200,002
Revenues (under) expenditures	(5,797,804)	(1,204,635)	(392,892)	(1,597,527)	4,200,277
Other financing sources:					
Installment purchase proceeds	3,222,000	49,000	300,000	349,000	(2,873,000)
Transfers in--					
From Water and Sewer Fund	2,624,804	2,624,804		2,624,804	
Transfers (out)--					
To Water and Sewer Fund	(49,000)	(49,000)		(49,000)	
Total other financing sources	5,797,804	2,624,804	300,000	2,924,804	(2,873,000)
Excess of revenues and other sources over (under) expenditures and other uses	\$ 0	\$ 1,420,169	\$ (92,892)	\$ 1,327,277	\$ 1,327,277

City of Jacksonville, North Carolina
Sewer Capital Projects Fund
Schedule of Revenues and Expenditures--
Budget and Actual (Non-GAAP)

Schedule 68

From Inception and for the Fiscal Year Ended June 30, 2003

	Project		Actual		Variance
	Authorization	Prior Years	Current Year	Total to Date	Positive
					(Negative)
Revenues:					
Investment earnings	\$ 1,698,290	\$ 1,635,469	\$ 60,541	\$ 1,696,010	\$ (2,280)
FEMA	865,608	865,608		865,608	
State clean water bond grant	748,669	549,773	94,932	644,705	(103,964)
Miscellaneous revenue	115,878	115,878		115,878	
Land application charges	12,451,518	12,451,519		12,451,519	1
State grant - \$2 million	2,000,000				(2,000,000)
State grant - \$706,580	706,580	706,580		706,580	
NC Rural Center grant	300,000				(300,000)
Total revenues	18,886,543	16,324,827	155,473	16,480,300	(2,406,243)
Expenditures:					
New wastewater treatment	50,731,285	50,714,477	12,527	50,727,004	4,281
Sewer line replacements	2,851,708	1,426,906	587,633	2,014,539	837,169
Perimeter property sewer	918,000	487,849		487,849	430,151
Utilities operation center	4,646,245	371,575	59,258	430,833	4,215,412
Wilson Bay restoration	775,408	533,813	131,422	665,235	110,173
Sunset/Country Club Annexation	6,309,901	2,375,840	639,894	3,015,734	3,294,167
Renovation of Headworks	300,000	1,227	284,610	285,837	14,163
Jacksonville Business Park	166,260	157,878		157,878	8,382
DOT construction sewer impact	250,000				250,000
Pump station rehabilitation	20,000				20,000
Sludge removal lagoon	90,000				90,000
Inflow/infiltration	146,000		47,038	47,038	98,962
Total expenditures	67,204,807	56,069,565	1,762,382	57,831,947	9,372,860
Revenues (under) expenditures	(48,318,264)	(39,744,738)	(1,606,909)	(41,351,647)	(6,966,617)
Other financing sources (uses):					
Proceeds from borrowing					
NC water pollution control revolving loan program - Federal	12,495,000	12,495,000		12,495,000	
NC water pollution control revolving loan match - State	2,505,000	2,505,000		2,505,000	
State revolving loan - \$2,836,415	2,836,415	2,836,415		2,836,415	
State revolving loan - \$3,000,000	3,000,000	3,000,000		3,000,000	
State revolving loan - \$1,000,000	1,000,000				(1,000,000)
State bond loan - \$5,000,000	5,000,000	5,000,000		5,000,000	
Installment purchases	19,634,806	14,274,000	300,000	14,574,000	(5,060,806)
Refund of installment purchase proceeds	(3,271,121)				3,271,121
Transfers in--					
From Water and Sewer Fund	12,854,179	12,615,785	238,394	12,854,179	
From W/S Capital Reserve	114,283	114,283		114,283	
From W/S Capital Projects	532,100	532,100		532,100	
From General Fund	582,324	582,324		582,324	
From Community Development	368,581	368,581		368,581	
From W/S Capital Reserve Fund	1,082,000	1,082,000		1,082,000	
From General Fund	200,000	200,000		200,000	

Continued on next page.

City of Jacksonville, North Carolina
Sewer Capital Projects Fund
Schedule of Revenues and Expenditures--
Budget and Actual (Non-GAAP)

From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 68,
continued.

	Project	Actual			Variance
	Authorization	Prior Years	Current Year	Total to Date	Positive (Negative)
Transfers (out)--					
To W/S Capital Reserve Fund	\$ (1,402,435)	\$ (1,402,435)	\$	\$ (1,402,435)	\$
To Water and Sewer Fund	(8,230,544)	(7,833,083)	(397,460)	(8,230,543)	1
To W/S Capital Projects	(500,000)	(500,000)		(500,000)	
To General Fund	(482,324)	(482,324)		(482,324)	
Total other financing sources	<u>48,318,264</u>	<u>45,387,646</u>	<u>140,934</u>	<u>45,528,580</u>	<u>(2,789,684)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>\$ 0</u>	<u>\$ 5,642,908</u>	<u>\$ (1,465,975)</u>	<u>\$ 4,176,933</u>	<u>4,176,933</u>

City of Jacksonville, North Carolina
Water/Sewer Capital Reserve Fund
Schedule of Revenues and Expenditures--
Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 69

	Project	Actual			Variance
	Authorization	Prior Years	Current Year	Total to Date	Positive
					(Negative)
Revenues:					
Interest on investments	\$ 444,591	\$ 428,512	\$ 2,369	\$ 430,881	\$ (13,710)
Total revenues	444,591	428,512	2,369	430,881	(13,710)
Expenditures:					
Water supply and distribution	144,426				144,426
Sewage collection and treatment	49,256				49,256
Total expenditures	193,682				193,682
Revenues over expenditures	250,909	428,512	2,369	430,881	179,972
Other financing sources (uses):					
Transfers in--					
From Water and Sewer Fund	881,931	881,931		881,931	
From Water Capital Projects	441,935	441,935		441,935	
From Sewer Capital Projects	1,453,308	1,453,308		1,453,308	
Transfers (out)--					
To Water Capital Projects	(239,000)	(239,000)		(239,000)	
To Sewer Capital Projects	(1,249,083)	(1,249,083)		(1,249,083)	
To Water and Sewer Fund	(500,000)	(500,000)		(500,000)	
To General Capital Reserve Fund	(1,040,000)	(1,040,000)		(1,040,000)	
Total other financing (uses)	(250,909)	(250,909)		(250,909)	
Excess of revenues and other sources over expenditures and other uses	\$ 0	\$ 177,603	\$ 2,369	\$ 179,972	\$ 179,972

Internal Service Funds

The Internal Service Funds are used to account for services provided to other user departments.

Individual Fund Descriptions:

Fleet Maintenance Internal Service Fund – accounts for fleet management operations provided to City departments.

City Hall Maintenance Internal Service Fund – accounts for building maintenance operations provided to City departments.

Information Technology Services Internal Service Fund – accounts for data processing operations provided to City departments.

Information Technology Services Capital Project Fund – accounts for funds used in obtaining new hardware and software for data processing.

City of Jacksonville, North Carolina
Internal Service Funds
Combining Balance Sheet
June 30, 2003
With Comparative Totals for June 30, 2002

Statement 70

	<u>Fleet Maintenance</u>	<u>City Hall Maintenance</u>	<u>Information Technology Services</u>	<u>Totals</u>	
				<u>June 30, 2003</u>	<u>June 30, 2002</u>
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 4,284	\$ 138,927	\$ 508,432	\$ 651,643	\$ 475,923
Accounts receivable (net)			1,191	1,191	
Interfund receivables	121,516	787	2,362	124,665	
Inventories	74,812			74,812	60,839
Prepaid items					238
Total current assets	<u>200,612</u>	<u>139,714</u>	<u>511,985</u>	<u>852,311</u>	<u>537,000</u>
Restricted Assets:					
Cash and cash equivalents			260,269	260,269	539,352
Total Restricted Assets			<u>260,269</u>	<u>260,269</u>	<u>539,352</u>
Fixed Assets:					
Fixed assets (net)	142,179		929,319	1,071,498	945,636
Total Assets	<u>\$ 342,791</u>	<u>\$ 139,714</u>	<u>\$ 1,701,573</u>	<u>\$ 2,184,078</u>	<u>\$ 2,021,988</u>
Liabilities and Net Assets					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 18,573	\$ 1,350	\$ 30,445	\$ 50,368	\$ 306,419
Interfund payable			4,421	4,421	3,944
Current portion of long-term debt	5,123		299,527	304,650	212,945
Total Current Liabilities	<u>23,696</u>	<u>1,350</u>	<u>334,393</u>	<u>359,439</u>	<u>523,308</u>
Noncurrent Liabilities:					
Compensated absences payable	4,830	2,119	33,640	40,589	34,493
Noncurrent portion of long-term debt	1,747		588,265	590,012	684,878
Total Noncurrent Liabilities	<u>6,577</u>	<u>2,119</u>	<u>621,905</u>	<u>630,601</u>	<u>719,371</u>
Total Liabilities	<u>30,273</u>	<u>3,469</u>	<u>956,298</u>	<u>990,040</u>	<u>1,242,679</u>
Net Assets	<u>312,518</u>	<u>136,245</u>	<u>745,275</u>	<u>1,194,038</u>	<u>779,309</u>
Total Liabilities and Net Assets	<u>\$ 342,791</u>	<u>\$ 139,714</u>	<u>\$ 1,701,573</u>	<u>\$ 2,184,078</u>	<u>\$ 2,021,988</u>

Note: Reconciliation of Interfund Receivables/Payables to Exhibit F:

Interfund Receivable	\$ 124,665	Interfund Payable	\$ 4,421
Less Interfund receivables within the internal service funds	<u>(92)</u>	Less Interfund payables within the internal service funds	<u>(92)</u>
Interfund Receivables in Exhibit F	<u>\$ 124,573</u>	Interfund Payables in Exhibit F	<u>\$ 4,329</u>

City of Jacksonville, North Carolina

Statement 71

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

For the Fiscal Year Ended June 30, 2003

With Comparative Totals for the Fiscal Year Ended June 30, 2002

	Fleet Maintenance	City Hall Maintenance	Information Technology Services	Totals	
				June 30, 2003	June 30, 2002
Operating revenues:					
Charges to other funds	\$ 790,859	\$ 100,614	\$ 1,656,716	\$ 2,548,189	\$ 1,605,207
Miscellaneous revenue	11,488		1,283	12,771	42,396
Total operating revenues	802,347	100,614	1,657,999	2,560,960	1,647,603
Operating expenses:					
Operations	788,682	77,948	979,851	1,846,481	1,515,351
Depreciation	15,515		274,290	289,805	186,779
Total operating expenses	804,197	77,948	1,254,141	2,136,286	1,702,130
Operating income (loss)	(1,850)	22,666	403,858	424,674	(54,527)
Nonoperating revenues (expenses):					
Investment earnings	1,406	1,919	9,396	12,721	19,121
Gain (loss) on sale of fixed assets	875		5,886	6,761	(55,450)
Interest on long-term debt	(431)		(28,996)	(29,427)	(19,615)
Total nonoperating revenues	1,850	1,919	(13,714)	(9,945)	(55,944)
Net income (loss)		24,585	390,144	414,729	(110,471)
Net assets (deficit):					
Beginning of year, July 1	(4,182)	111,660	233,759	341,237	451,708
Reclassification (see Note 1)	316,700		121,372	438,072	438,072
Restate Beginning of Year, July 1	312,518	111,660	355,131	779,309	889,780
End of year, June 30	\$ 312,518	\$ 136,245	\$ 745,275	\$ 1,194,038	\$ 779,309

City of Jacksonville, North Carolina

Statement 72

Internal Service Funds

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2003

With Comparative Totals for the Fiscal Year Ended June 30, 2002

	Fleet Maintenance	City Hall Maintenance	Information Technology Services	Totals	
				June 30, 2003	June 30, 2002
Cash flows from operating activities:					
Cash receipts from quasi-external operating transactions	\$ 680,831	\$ 99,827	\$ 1,402,930	\$ 2,183,588	\$ 1,647,603
Cash payments for quasi-external operating transactions	(808,874)	(77,375)	(971,930)	(1,858,179)	(1,227,142)
Net cash (provided) used for operating activities	(128,043)	22,452	431,000	325,409	420,461
Cash flows from capital and related financing activities:					
Principal paid on long-term debt	(4,893)		(257,087)	(261,980)	(142,459)
Interest paid on long-term debt	(431)		(28,996)	(29,427)	(19,615)
Purchase of capital assets	(5,195)		(410,472)	(415,667)	(792,539)
Proceeds from sale of assets	875		5,886	6,761	
Proceeds from borrowing			258,820	258,820	1,023,845
Net cash (used) for capital and related financing activities	(9,644)		(431,849)	(441,493)	69,232
Cash flows from investing activities:					
Interest earned on investments	1,406	1,919	9,396	12,721	19,121
Net cash provided by investing activities	1,406	1,919	9,396	12,721	19,121
Net (increase) decrease in cash and cash equivalents	(136,281)	24,371	8,547	(103,363)	508,814
Cash and cash equivalents, July 1	140,565	114,556	760,154	1,015,275	506,461
Cash and cash equivalents, June 30	\$ 4,284	\$ 138,927	\$ 768,701	\$ 911,912	\$ 1,015,275

Continued on next page.

City of Jacksonville, North Carolina
Internal Service Funds

Statement 72,
continued.

Combining Statement of Cash Flows

For the Fiscal Year Ended June 30, 2003

With Comparative Totals for the Fiscal Year Ended June 30, 2002

	Fleet Maintenance	City Hall Maintenance	Information Technology Services	Totals	
				June 30, 2003	June 30, 2002
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$ (1,850)	\$ 22,666	\$ 403,858	\$ 424,674	\$ (54,527)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	15,515		274,290	289,805	186,779
Change in assets and liabilities:					
Increase (decrease) in accrued vacation pay	(1,041)	475	6,663	6,097	7,317
(Increase) in decrease prepaid expenses			238	238	(238)
Increase (decrease) in accounts payable	(3,206)	380	(253,227)	(256,053)	274,651
(Increase) decrease in inventories	(13,973)			(13,973)	1,682
Increase (decrease) in due to other funds					(479)
Increase (decrease) in interfund payables	(1,972)	(282)	254,247	251,993	3,944
(Increase) decrease in interfund receivables			(1,191)	(1,191)	
(Increase) decrease in accounts receivable	(121,516)	(787)	(253,878)	(376,181)	1,332
Total adjustments	(126,193)	(214)	27,142	(99,265)	474,988
Net cash provided (used) by operating activities	\$ (128,043)	\$ 22,452	\$ 431,000	\$ 325,409	\$ 420,461

City of Jacksonville, North Carolina
Fleet Maintenance Internal Service Fund
Schedule of Revenues and Expenditures--
Budget and Actual (Non-GAAP)

Schedule 73

For the Fiscal Year Ended June 30, 2003
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2002

	2003			2002
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Investment earnings	\$ 5,000	\$ 1,406	\$ (3,594)	\$ 3,118
Charges for services	709,572	790,859	81,287	726,973
Sales of fixed assets		875	875	(13,758)
Other operating revenues		11,488	11,488	32,619
Total revenues	714,572	804,628	90,056	748,952
Expenditures:				
Salaries and employee benefits		245,730		236,773
Fuel		6,121		3,422
Utilities		3,242		3,235
Maintenance and repair		455,468		455,945
Contracted services		7,114		1,711
Other departmental expenditures		71,007		48,530
Total	848,114	788,682	59,432	749,616
Budgetary appropriations:				
Interest paid	441	431	10	651
Debt principal	4,893	4,893		4,673
Increase in inventory		13,973	(13,973)	(1,682)
Increase in accrued vacation pay		1,041	(1,041)	(1,687)
Capital outlay	14,195	5,195	9,000	
Appropriated retained earnings	(153,071)		(153,071)	
Total budgetary appropriations	(133,542)	25,533	(159,075)	1,955
Total expenditures	\$ 714,572	\$ 814,215	\$ (99,643)	\$ 751,571
Reconciliation of modified accrual basis to full accrual basis:				
Total revenues		\$ 804,628		\$ 748,952
Total expenditures		814,215		751,571
Excess of revenues (under) expenditures		(9,587)		(2,619)
Budgetary appropriations (above):				
Payment of debt principal		4,893		4,673
Increase in inventory		13,973		(1,682)
Increase in accrued vacation pay		1,041		(1,687)
Capital outlay		5,195		
Total budgetary appropriations		25,102		1,304
Depreciation (Statement 71)		(15,515)		(16,220)
Net (loss) (Statement 71)		\$ 0		\$ (17,535)

Note: Prepared on the budgetary basis, which is modified accrual.

City of Jacksonville, North Carolina
City Hall Maintenance Internal Service Fund
Schedule of Revenues and Expenditures--
Budget and Actual (Non-GAAP)

Schedule 74

For the Fiscal Year Ended June 30, 2003
 With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2002

	<u>2003</u>			<u>2002</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Investment earnings	\$ 3,000	\$ 1,919	\$ (1,081)	\$ 2,598
Charges for services	100,614	100,614		92,030
Other operating revenues				928
Total revenues	<u>103,614</u>	<u>102,533</u>	<u>(1,081)</u>	<u>95,556</u>
Expenditures:				
Salaries and employee benefits		30,700		30,800
Utilities		30,622		28,653
Maintenance and repair		4,958		8,199
Contracted services		47		695
Other departmental expenditures		11,621		11,106
Total	<u>100,074</u>	<u>77,948</u>	<u>22,126</u>	<u>79,453</u>
Budgetary appropriations:				
Increase in accrued vacation pay		(474)	474	(210)
Appropriated retained earnings	<u>3,540</u>		<u>3,540</u>	
Total budgetary appropriations	<u>3,540</u>	<u>(474)</u>	<u>4,014</u>	<u>(210)</u>
Total expenditures	<u>\$ 103,614</u>	<u>\$ 77,474</u>	<u>\$ 26,140</u>	<u>\$ 79,243</u>
Reconciliation of modified accrual basis to full accrual basis:				
Total revenues		\$ 102,533		\$ 95,556
Total expenditures		<u>77,474</u>		<u>79,243</u>
Excess of revenues over expenditures		25,059		16,313
Budgetary appropriations (above):				
Increase in accrued vacation pay		<u>(474)</u>		<u>(210)</u>
Total budgetary appropriations		<u>(474)</u>		<u>(210)</u>
Depreciation (Statement 71)				
Net income (Statement 71)		<u>\$ 24,585</u>		<u>\$ 16,103</u>

Note: Prepared on the budgetary basis, which is modified accrual.

City of Jacksonville, North Carolina
Information Technology Services Internal Service Fund
Schedule of Revenues and Expenditures--
Budget and Actual (Non-GAAP)

Schedule 75

For the Fiscal Year Ended June 30, 2003
With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2002

	2003			2002
	Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Investment earnings	\$ 3,500	\$ 9,396	\$ 5,896	\$ 13,405
Charges for services	1,656,716	1,656,716		786,204
Sales of fixed assets	2,500	5,886	3,386	(41,692)
Other operating revenues		1,283	1,283	8,849
Total revenues	1,662,716	1,673,281	10,565	766,766
Expenditures:				
Salaries and employee benefits		477,550		392,813
Fuel		89		90
Maintenance and repair		14,137		6,656
Contracted services		23,435		30,437
Other departmental expenditures		407,164		256,286
Total	1,200,611	922,375	278,236	686,282
Budgetary appropriations:				
Interest paid	32,782	28,996	3,786	18,964
Debt principal	269,648	257,087	12,561	137,786
Proceeds from borrowing				
installment purchase	(94,820)	(94,820)		
Transfer to capital project	110,000	110,000		8,849
Transfer from capital project	(776)	(776)		
Increase in accrued vacation pay		(6,663)	6,663	(5,421)
Increase in prepaid expense		(238)	238	238
Capital outlay	41,218	40,743	475	7,451
Appropriated retained earnings	104,053		104,053	
Total budgetary appropriations	462,105	334,329	127,776	167,867
Total expenditures	\$ 1,662,716	\$ 1,256,704	\$ 406,012	\$ 854,149
Reconciliation of modified accrual basis to full accrual basis:				
Total revenues		\$ 1,673,281		\$ 766,766
Total expenditures		1,256,704		854,149
Excess of revenues over (under) expenditures		416,577		(87,383)
Budgetary appropriations (above):				
Payment of debt principal		257,087		137,786
Proceeds from borrowing		(94,820)		
Non-capital expenditure from capital project		(57,476)		
Increase in accrued vacation pay		(6,663)		(5,421)
Increase in prepaid expense		(238)		238
Transfer to capital project		110,000		8,849
Transfer from capital project		(776)		
Capital outlay		40,743		7,451
Total budgetary appropriations		247,857		148,903
Depreciation (Statement 71)		(274,290)		(170,559)
Net income (loss) (Statement 71)		\$ 390,144		\$ (109,039)

Note: Prepared on the budgetary basis, which is modified accrual.

City of Jacksonville, North Carolina
Information Technology Services Capital Project Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Non-GAAP)
From Inception and for the Fiscal Year Ended June 30, 2003

Schedule 76

	Project Authorization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Investment earnings	\$ 63,141	\$ 59,404	\$ 3,734	\$ 63,138	\$ (3)
Meta data grant	1,480	1,480		1,480	
Total revenues	64,621	60,884	3,734	64,618	(3)
Expenditures:					
Capital outlay:					
Computer upgrade DP9401	1,104,264	1,104,264		1,104,264	
IP/Phone System DP0101	795,418	446,495	320,650	767,145	28,273
Document Imaging DP0102	180,895	143,912	20,586	164,498	16,397
Capital acquisition DP0201	489,801	173,881	87,516	261,397	228,404
Total expenditures	2,570,378	1,868,552	428,752	2,297,304	273,074
Revenues (under) expenditures	(2,505,757)	(1,807,668)	(425,018)	(2,232,686)	273,071
Other financing sources:					
Proceeds from borrowing	1,626,087	1,462,087	164,000	1,626,087	
Transfers in--					
From Information Technology Services Fund	762,225	652,225	110,000	762,225	
From General Fund	114,546	114,546		114,546	
From Proprietary Fund	3,675	3,675		3,675	
Transfers (out)--					
To Internal Service Fund	(776)		(776)	(776)	
Total other financing sources	2,505,757	2,232,533	273,224	2,505,757	
Excess of revenues and other sources over (under) expenditures and other uses	\$ 0	\$ 424,865	\$ (151,794)	\$ 273,071	\$ 273,071



Governmental Funds Capital Assets

The Governmental Funds Capital Assets account for capital assets used in the operation of Governmental Funds, other than those accounted for in the Proprietary Funds.



City of Jacksonville, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules By Source
June 30, 2003 and 2002

Schedule 77

	<u>2003</u>	<u>2002</u>
Governmental funds capital assets:		
Land	\$ 1,946,880	\$ 1,893,624
Buildings	10,321,443	10,250,648
Equipment	3,384,355	3,284,106
Heavy equipment	688,807	655,507
Vehicles	8,494,478	8,296,209
Infrastructure	13,862,380	12,572,215
Improvements other than buildings	3,452,936	3,052,244
Construction in progress	2,210,206	1,095,577
Total governmental funds capital assets	<u>\$ 44,361,485</u>	<u>\$ 41,100,130</u>
Investment in governmental funds capital assets		
General Fund	\$ 29,106,653	\$ 29,606,026
Capital Project Funds	13,124,636	9,060,513
Special Revenue Fund	1,748,083	2,125,143
Donations, court awards, etc.	382,113	308,448
Total investment in governmental funds capital assets	<u>\$ 44,361,485</u>	<u>\$ 41,100,130</u>

Note: This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the Internal Service Funds are excluded from the above amounts. Generally, the capital assets of the Internal Service Funds are included as governmental activities in the statement of net assets.

City of Jacksonville, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2003

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Heavy Equipment</u>	<u>Vehicles</u>
General government:					
Mayor and Council	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
City Manager					
Personnel					
City Clerk					
Finance			13,378		
Planning			73,107		42,105
Transportation					
Other-Unclassified	1,266,865	1,793,062	134,624		
Total general government	<u>1,266,865</u>	<u>1,793,062</u>	<u>221,109</u>		<u>42,105</u>
Public works:					
Inspections			24,889		129,300
Public works					12,191
Engineering					38,575
Maintenance	38,503	10,689	40,407	50,566	173,637
Steets Powell Bill	67,500	100,209	81,936	475,740	583,757
Street Non-Powell Bill			24,290	14,441	595,105
Total public works	<u>106,003</u>	<u>110,898</u>	<u>171,522</u>	<u>540,747</u>	<u>1,532,565</u>
Public safety:					
Police		477,063	2,512,243	5,995	2,941,192
Animal control		22,173			
Fire	27,000	2,107,774	292,088	18,111	2,192,373
Total public safety	<u>27,000</u>	<u>2,607,010</u>	<u>2,804,331</u>	<u>24,106</u>	<u>5,133,565</u>
Environmental protection:					
Sanitation		40,984	20,432	59,731	1,578,236
Cultural and recreational:					
Recreation	547,012	5,687,446	166,961	64,223	195,157
Economic development:					
Economic development		82,043			12,850
Construction in progress					
Total governmental funds capital assets	<u>\$ 1,946,880</u>	<u>\$ 10,321,443</u>	<u>\$ 3,384,355</u>	<u>\$ 688,807</u>	<u>\$ 8,494,478</u>

Note: This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the Internal Service Funds are excluded from the above amounts. Generally, the capital assets of the Internal Service Funds are included as governmental activities in the statement of net assets.

Infrastructure	Improvements other than buildings	Construction in Progress	Total
\$ 0	\$ 0	\$ 0	\$ 0
			13,378
			115,212
	33,179		3,227,730
	33,179		3,356,320
			154,189
			12,191
			38,575
			313,802
12,926,926			14,236,068
			633,836
12,926,926			15,388,661
	13,485		5,949,978
			22,173
			4,637,346
	13,485		10,609,497
			1,699,383
935,454	3,406,272		11,002,525
			94,893
		2,210,206	2,210,206
\$ 13,862,380	\$ 3,452,936	\$ 2,210,206	\$ 44,361,485

City of Jacksonville, North Carolina
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Fiscal Year Ended June 30, 2003

Schedule 79

	Capital Assets 2002	Additions	Deductions	Transfers	Capital Assets 2003
General Government:					
Mayor and Council	\$	\$	\$	\$	\$
City Manager					
Personnel					
City Clerk					
Finance	13,378				13,378
Planning	99,365	15,847			115,212
Transportation					
Other-Unclassified	3,219,631	8,099			3,227,730
Total General Government	3,332,374	23,946			3,356,320
Public Works:					
Inspections	138,342	15,847			154,189
Public Works	12,191				12,191
Engineering	24,214	14,361			38,575
Maintenance	307,802	6,000			313,802
Streets	13,248,234	1,028,719	40,885		14,236,068
Streets Non-Powell Bill	454,622	179,214			633,836
Total Public Works	14,185,405	1,244,141	40,885		15,388,661
Public Safety:					
Police	5,980,176	571,269	601,467		5,949,978
Animal Control	22,173				22,173
Fire	4,561,619	151,448	75,721		4,637,346
Total Public Safety	10,563,968	722,717	677,188		10,609,497
Environmental Protection:					
Sanitation	1,657,780	132,911	91,308		1,699,383
Cultural and Recreational:					
Recreation	10,170,133	569,552		262,840	11,002,525
Economic Development:					
Economic Development	94,893				94,893
Construction in progress	1,095,577	1,377,469		(262,840)	2,210,206
Total governmental funds capital assets	\$ 41,100,130	\$ 4,070,736	\$ 809,381	\$ 0	\$ 44,361,485

Note: This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the Internal Service Funds are excluded from the above amounts. Generally, the capital assets of the Internal Service Funds are included as governmental activities in the statement of net assets.

Additional Financial Data

This section contains the following:

Additional information on property taxes, interfund transfers, and cash and investments.

- * Schedule of Cash and Investment Balances
- * Schedule of Ad Valorem Taxes Receivable
- * Analysis of Current Tax Levy

City of Jacksonville, North Carolina
Schedule of Cash and Investment Balances
June 30, 2003

Schedule 80

	Amounts Presented on Statements	Cost Value	Fair Value
Cash:			
On hand	\$ 4,286	\$ 4,286	\$ 4,286
In demand deposits			
In time deposits			
Certificates of deposit	58,520	58,520	58,520 (a)
NOW, SuperNOW, and money market	<u>3,175,919</u>	<u>3,175,919</u>	<u>3,175,919</u>
Total cash	<u>3,238,725</u>	<u>3,238,725</u>	<u>3,238,725</u>
Other Investments:			
North Carolina Capital Management Trust	31,318,565	31,318,565	31,318,565
United States Treasury Bonds (Zero Coupon)	688,163	108,499	688,163
[Held by bank's trust department in book entry form]			
U.S. Government Agencies (GNMA)	1,887	1,887	1,887
[Registered in the City's name and held by the City's agent in the City's name]			
U.S. Government Agencies (FHLB)	1,460,905	1,460,000	1,460,905
[Registered in the City's name and held by the City's agent in the City's name]			
Commercial Paper	6,935,703	6,935,703	6,945,000
[Held by dealer bank's trust department in the City's name]			
Total other investments	<u>40,405,223</u>	<u>39,824,654</u>	<u>40,414,520</u>
Total cash and investments	<u>\$ 43,643,948</u>	<u>\$ 43,063,379</u>	<u>\$ 43,653,245</u>
Distribution by Funds:			
General:			
Unrestricted		\$ 9,527,746	
Restricted		<u>2,634,224</u>	\$ 12,161,970
Special Revenue:			
Unrestricted		374,796	
Restricted		<u>193,023</u>	567,819
Capital Projects:			
Unrestricted		3,049,408	
Restricted		<u>6,792,662</u>	9,842,070
Capital Reserve:			7,823,207
Internal Service:			
Unrestricted		651,643	
Restricted		<u>260,269</u>	911,912
Trust			403,482
Enterprise:			
Unrestricted		8,251,515	
Restricted		<u>3,682,467</u>	11,933,488
Total			<u>\$ 43,643,948</u>

(a) Note: \$52,000 Certificate of Deposit is a compensating balance requirement and is non-interest bearing.
\$6,520 Certificates of Deposit are held in escrow for surety customer deposits.

City of Jacksonville, North Carolina
Schedule of Ad Valorem Taxes Receivable
June 30, 2003

Schedule 81

Fiscal Year	Uncollected Balance June 30, 2002	Additions	Collections and Credits	Uncollected Balance June 30, 2003
2002-03	\$	\$ 10,615,036	\$ 10,256,566	\$ 358,470
2001-02	361,090		235,426	125,664
2000-01	113,770		31,207	82,563
1999-00	84,269		6,771	77,498
1998-99	65,356		3,192	62,164
1997-98	52,043		2,234	49,809
1996-97	32,751		1,419	31,332
1995-96	30,543		986	29,557
1994-95	36,061		1,322	34,739
1993-94	29,636		838	28,798
1992-93	10,016		10,016	0
	<u>\$ 815,535</u>	<u>\$ 10,615,036</u>	<u>\$ 10,549,977</u>	<u>\$ 880,594</u>

Less allowance for uncollected ad valorem taxes receivable 97,951

Ad valorem taxes receivable - net \$ 782,643

Reconciliation with revenues:

Taxes - ad valorem - general fund	\$ 10,494,906	
Penalties and interest	<u>53,763</u>	\$ 10,548,669

Reconciling items:

Discoveries and abatements - Net	37,993
Taxes written off	9,866
Interest Collected	<u>(46,551)</u>
Total collections and credits per above	<u>\$ 10,549,977</u>

City of Jacksonville, North Carolina
Analysis of Current Tax Levy
For the Fiscal Year Ended June 30, 2003

Schedule 82

	City-Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original Levy:					
Property taxed at					
current year's rate	\$ 1,678,024,050	0.59	\$ 9,900,341	\$ 9,211,093	\$ 689,248
Registered motor vehicles					
taxed at prior year's rate	77,297,397	0.59	456,055		456,055
Penalties			8,074	8,074	
	<u>1,755,321,447</u>		<u>10,364,470</u>	<u>9,219,167</u>	<u>1,145,303</u>
Discoveries:					
Current year taxes	54,444,915	0.59	321,225	314,864	6,361
Prior year taxes			45,896	43,973	1,923
Total	<u>54,444,915</u>		<u>367,121</u>	<u>358,837</u>	<u>8,284</u>
Abatements	<u>(19,755,085)</u>		<u>(116,555)</u>	<u>(14,772)</u>	<u>(101,783)</u>
Total Property Valuation	<u><u>\$ 1,790,011,277</u></u>				
Net Levy			10,615,036	9,563,232	1,051,804
Less Uncollected tax at June 30, 2003 (Schedule 81)			<u>(358,470)</u>	<u>(158,582)</u>	<u>(199,888)</u>
Current year's taxes collected			<u><u>\$ 10,256,566</u></u>	<u><u>\$ 9,404,650</u></u>	<u><u>\$ 851,916</u></u>
Percent current year collected			<u><u>96.62%</u></u>	<u><u>98.34%</u></u>	<u><u>81.00%</u></u>

Statistical Section

Schedules presented in the Statistical Section differ from financial statements because they usually cover more than one fiscal year and may present nonaccounting data. The Statistical Section reflects social and economic data, financial trends and the fiscal capacity of the City.

City of Jacksonville, North Carolina
General Governmental Expenditures by Function (1)
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year Ended June 30	General Government	Public Works	Public Safety	Environmental Protection	Cultural and Recreational
1994	\$ 2,385,579	\$ 1,717,419	\$ 7,141,091	\$ 1,476,617	\$ 982,000
1995	2,576,363	1,822,247	8,087,848	1,524,311	1,030,239
1996	3,090,364	1,989,981	7,681,503	1,925,139	1,071,742
1997	5,766,278	2,243,082	8,439,047	1,675,729	1,002,446
1998	4,609,698	3,124,355	8,830,933	1,851,046	869,696
1999	5,185,459	2,913,605	9,278,156	1,964,929	963,261
2000	5,385,533	3,322,706	10,317,941	2,071,908	1,062,805
2001	4,793,350	4,098,451	11,875,795	2,179,002	1,230,189
2002	4,416,462	3,679,942	11,396,391	2,135,517	1,489,323
2003	4,653,130	3,815,852	11,285,199	2,170,986	1,818,666

Note:

(1) Includes General, Special Revenue, and Capital Projects Funds

City of Jacksonville, North Carolina
General Governmental Revenues by Source (1)
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year Ended June 30	Ad Valorem Taxes	Other Taxes and Licenses	Unrestricted Intergovern- mental Revenues	Restricted Intergovern- mental Revenues	Investment Earnings
1994	\$ 5,941,965	\$ 6,080,492	\$ 2,318,788	\$ 2,648,015	\$ 259,055
1995	6,142,993	6,754,606	2,320,841	2,899,008	595,106
1996	6,089,020	7,042,622	1,929,958	2,920,690	574,136
1997	6,370,411	8,312,650	2,005,469	3,874,191	546,340
1998	6,846,310	8,572,170	1,830,693	3,000,556	596,095
1999	7,888,989	9,145,906	2,002,161	4,256,492	1,001,011
2000	8,204,862	9,066,849	2,168,580	4,457,946	1,174,399
2001	10,049,040	9,671,876	2,241,270	3,865,696	1,444,109
2002	10,324,962	8,869,216	1,102,515	4,339,988	655,563
2003	10,548,669	9,539,578	2,097,237	4,664,964	393,430

Note:

(1) Includes General, Special Revenue, and Capital Projects Funds

Table 1

	Economic Development	Debt Service	Capital Projects	Total
\$	568,751	\$ 536,334	\$ 1,479,569	\$ 16,287,360
	670,999	418,663	1,586,998	17,717,668
	671,690	457,567	3,140,767	20,028,753
	577,522	207,432	3,509,118	23,420,654
	652,713	278,791	1,043,906	21,261,138
	562,114	477,410	2,264,749	23,609,683
	1,069,552	996,052	2,477,422	26,703,919
	787,254	1,326,012	3,309,082	29,599,135
	609,681	1,819,433	2,891,078	28,437,827
	1,522,149	2,468,744	3,075,534	30,810,260

Table 2

	Sales and Services	Permits and Fees	Miscellaneous	Total
\$	158,512	\$ 107,468	\$ 100,229	\$ 17,614,524
	172,913	155,078	191,037	19,231,582
	201,753	208,589	203,859	19,170,627
	189,294	175,231	994,014	22,467,600
	218,180	231,909	306,012	21,601,925
	263,280	407,421	425,287	25,390,547
	285,138	460,378	361,416	26,179,568
	342,856	379,442	484,611	28,478,900
	309,339	369,592	387,383	26,358,558
	285,607	414,310	413,923	28,357,718

Note: Property was revaluated in tax year 2000 (Fiscal Year 2001)
(see Table 4 note).

City of Jacksonville, North Carolina
Property Tax Levies and Collections
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year Ended June 30	Tax Year	(1) Total Tax Levy	(1) Current Tax Collections	Percent of Levy Collected	(1) Delinquent Tax Collections
1994	1993	\$ 5,901,203	\$ 5,672,046	96.1	\$ 227,440
1995	1994	6,141,991	5,915,034	96.3	190,970
1996	1995	6,064,988	5,909,862	97.4	145,638
1997	1996	6,402,043	6,216,007	97.1	125,934
1998	1997	6,861,287	6,662,127	97.1	148,118
1999	1998	7,948,057	7,713,064	97.0	140,088
2000	1999	8,289,972	8,027,020	96.8	145,583
2001	2000	10,148,926	9,847,945	97.0	161,507
2002	2001	10,448,606	10,087,516	96.5	193,167
2003	2002	10,615,036	10,256,566	96.6	245,661

Note: Collections do not include interest.

(1) Provided by the Onslow County Tax Administrator/Collector.

City of Jacksonville, North Carolina
Assessed Value of Taxable Property
 Last Ten Fiscal Years
 (Unaudited)

Table 4

Fiscal Year Ended June 30	(1) Real Property	(1) Personal Property	(1) Public Service Company Property	(1) Total Assessed Value
1994	\$ 860,558,189	\$ 152,505,661	\$ 34,872,922	\$ 1,047,936,772
1995	875,581,449	166,968,905	34,688,553	1,077,238,907
1996	892,165,024	161,293,615	36,704,260	1,090,162,899
1997	919,781,889	192,066,760	33,631,855	1,145,480,504
1998	950,987,667	242,675,849	37,320,076	1,230,983,592
1999	978,181,554	252,110,765	39,221,550	1,269,513,869
2000	1,012,113,560	274,200,749	35,338,750	1,321,653,059
2001	1,342,298,871	300,171,863	45,655,823	1,688,126,557
2002	1,388,659,103	325,582,729	49,284,456	1,763,526,288
2003	1,417,401,174	322,413,511	50,196,592	1,790,011,277

Note: Assess valuations are established by the Board of County Commissioners at 100 percent of estimated market value. A revaluation of real property is required by the North Carolina General Statutes at least every eight years. The last revaluation was completed in the tax year 2000 (Fiscal Year 2001).

(1) Provided by the Onslow County Tax Administrator/Collector.

Table 3

	(1) Total Tax Collections	Percent of Total Tax Collections to Levy	(1) Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
\$	5,899,486	99.9	\$ 420,293	7.1
	6,106,004	98.5	438,352	7.1
	6,055,500	99.8	370,363	6.1
	6,341,941	99.1	411,959	6.4
	6,810,245	99.2	438,151	6.4
	7,853,152	98.8	500,244	6.4
	8,172,603	98.6	581,620	7.0
	10,009,452	98.6	683,491	6.7
	10,280,683	98.4	815,535	7.8
	10,502,227	98.9	880,594	8.3

City of Jacksonville, North Carolina
Property Tax Rates - Direct and All Overlapping Governments
(Per \$100 of Assessed Value)
 Last Ten Fiscal Years
 (Unaudited)

Table 5

Fiscal Year Ended June 30	Name of Government		Total
	City of Jacksonville	Onslow County	
1994	0.553	0.540	1.093
1995	0.553	0.575	1.128
1996	0.553	0.615	1.168
1997	0.553	0.644	1.197
1998	0.553	0.694	1.247
1999	0.623	0.694	1.317
2000	0.623	0.694	1.317
2001	0.590	0.630	1.220
2002	0.590	0.690	1.280
2003	0.590	0.680	1.270

Note: Property was revaluated in tax year 2000 (Fiscal Year 2001)
 (see Table 4 note).

City of Jacksonville, North Carolina
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year Ended June 30	(1) Assessed Value	Gross General Bonded Debt	Less Debt Payable From Enterprise Revenues	Net General Bonded Debt
1994	\$ 1,047,936,772	\$ 825,000	\$ 825,000	0
1995	1,077,238,907	600,000	600,000	0
1996	1,090,162,899	500,000	500,000	0
1997	1,145,480,504	400,000	400,000	0
1998	1,230,983,592	300,000	300,000	0
1999	1,269,513,869	200,000	200,000	0
2000	1,321,653,059	100,000	100,000	0
2001	1,688,126,557	0	0	0
2002	1,763,526,288	0	0	0
2003	1,790,011,277	0	0	0

Note:

- (1) Provided by the Onslow County Tax Administrator/Collector
- (2) N.C. Office of State Planning, State Demographer
- (3) Revised by the Census due to miscounts made at Camp Lejeune during the 1990 Census.
- (4) Revised by the N.C. Office of State Planning for an increase in Camp Lejeune barracks.
- (5) U.S. Census 2000.

City of Jacksonville, North Carolina
Computation of Legal Debt Margin
 June 30, 2003
 (Unaudited)

Table 7

Assessed Value	\$ 1,790,011,277
	x0.08
Debt limit (8 percent of assessed value)	143,200,902
Amount of debt applicable to debt limit:	
Gross Debt:	
Installment purchases	\$ 22,855,769
Loans	17,383,110
Gross Debt	40,238,879
Statutory Deductions:	
Water/Sewer installment purchases	10,760,113
Water/Sewer loans	17,383,110
Total statutory deductions	\$ 28,143,223
Total amount of debt applicable to debt limit (net debt)	12,095,656
Legal debt margin	\$ 131,105,246

Table 6

Ratio of Net Bonded Debt to Assessed Value	(2) Population	Net General Bonded Debt Per Capita
0.00	78,250 (4)	0
0.00	75,211	0
0.00	75,069	0
0.00	75,527	0
0.00	73,800	0
0.00	74,141	0
0.00	73,988	0
0.00	66,715 (5)	0
0.00	66,176	0
0.00	68,357	0

City of Jacksonville, North Carolina
Ratio of Annual Debt Service Expenditures for General Bonded Debt
to Total General Governmental Expenditures
Last Ten Fiscal Years
(Unaudited)

Table 8

Fiscal Year Ended June 30	Principal	Interest on Bonds	(2) Total Debt Service	(1) Total General Governmental Expenditures	Ratio of Debt Service to Total General Expenditures
1994	\$ 225,000	\$ 59,436	\$ 284,436	\$ 16,287,560	1.75
1995	225,000	47,749	272,749	17,717,668	1.54
1996	100,000	35,858	135,858	20,028,753	0.68
1997	100,000	30,100	130,100	23,420,684	0.56
1998	100,000	24,600	124,600	21,261,138	0.59
1999	100,000	18,600	118,600	23,609,683	0.50
2000	100,000	12,400	112,400	26,703,919	0.42
2001	100,000	6,200	106,200	29,599,135	0.36
2002	0	0	0	28,437,827	0.00
2003	0	0	0	30,810,260	0.00

Note:

(1) Includes General, Special Revenue and Capital Projects funds.

(2) Total debt service payments made from enterprise fund revenues.

City of Jacksonville, North Carolina
Computation of Direct and Overlapping Debt
General Obligation Bonds
June 30, 2003
(Unaudited)

Table 9

	Gross General Obligation Bonded Debt Outstanding	(1) Exclusions	Net General Obligation Bonded Debt Outstanding	(2) Percentage Applicable to City	Amount Applicable to City
Direct:					
City of Jacksonville	\$ 0	\$ 0	\$ 0	100 %	\$ 0
Overlapping:					
Onslow County	30,950,000	0	30,950,000	0.32 %	9,904,000
Totals	<u>\$ 30,950,000</u>	<u>\$ 0</u>	<u>\$ 30,950,000</u>		<u>\$ 9,904,000</u>

Note:

- (1) Exclusions represent general obligation bonds of the City and County issued for water and sewer utility purposes which are payable from enterprise fund revenues.
- (2) The percentage of overlapping debt is based on the June 30, 2002 assessed valuation of the County of Onslow (\$5,658,521,190) as compared to the June 30, 2002 assessed valuation of the City of Jacksonville (\$1,790,011,277).

City of Jacksonville, North Carolina
Demographic Statistics
Last Ten Fiscal Years
(Unaudited)

Table 10

Fiscal Year Ended June 30	(1) Population	(2) Per Capita Income	(1) Median Age (Yrs)	(3) School Enrollment	(2) Unemployment Rate Percentage
1994	78,250 (4)	\$ 13,548	24.74	20,098	4.80 %
1995	75,211	14,831	25.25	20,098	4.30
1996	75,069	15,424	25.11	20,381	3.60
1997	75,527	16,900 (8)	25.25 (6)	24,596	3.10
1998	73,800 (5)	21,000 (9)	25.42 (6)	24,492	3.60
1999	74,141	22,056 (9)	25.25 (6)	25,313	3.30
2000	73,988	22,952 (9)	25.19 (6)	25,453	3.80
2001	66,715 (7)	23,945 (9)	22.40 (7)	24,867	4.20
2002	66,176	* (10)	24.70	25,656	5.50
2003	68,357	* (10)	* (10)	26,236	6.10

Note:

- (1) Office of State Planning - State Demographer
- (2) Employment Security Commission of North Carolina
- (3) Onslow County Board of Education
- (4) Revised by the NC Office of State Planning for an increase in Camp Lejeune barracks
- (5) Revised by the NC Office of State Planning for a decrease in Camp Lejeune barracks
- (6) State Library of North Carolina - Woods and Poole Annual County Profile
- (7) US Census 2000
- (8) US Census Bureau
- (9) US Department of Commerce, Bureau of Economic Analysis
- (10) Data for fiscal years 2002 and/or 2003 not presently available

City of Jacksonville, North Carolina
Analysis of General Fund Balance
 Last Ten Fiscal Years
 (Unaudited)

Table 11

Fiscal Year Ended June 30		Reserved	Unreserved Designated	Unreserved Undesignated	Total
1994	\$	2,539,676	\$ 1,374,353	\$ 3,269,363	\$ 7,183,392
1995		2,484,903	537,057	4,795,080	7,817,040
1996		3,363,195	1,025,781	2,384,597	6,773,573
1997		3,570,822	1,608,442	3,027,420	8,206,684
1998		3,607,140	823,287	4,647,535	9,077,962
1999		4,136,887	1,396,359	5,635,496	11,168,742
2000		4,068,823	2,247,209	4,730,302	11,046,334
2001		3,995,770	2,360,553	5,801,204	12,157,527
2002		4,817,471	4,150,817	2,039,760	11,008,048
2003		5,722,643	2,715,802	3,625,437	12,063,882

City of Jacksonville, North Carolina
Analysis of General Fund Balance
As a Percentage of Expenditures
 Last Ten Fiscal Years
 (Unaudited)

Table 12

Fiscal Year Ended June 30	General Fund Expenditures	Percent Reserved	Percent Unreserved Designated	Percent Unreserved Undesignated	Percent of Total Fund Balance to Total Expenditures
1994	\$ 13,902,029	18.3 %	9.9 %	23.5 %	51.7 %
1995	15,201,354	16.3	3.5	31.5	51.4
1996	16,006,272	21.0	6.4	14.9	42.3
1997	19,311,571	18.5	8.3	15.7	42.5
1998	19,440,218	18.6	4.2	23.9	46.7
1999	19,908,030	20.8	7.0	28.3	56.1
2000	22,106,659	18.4	10.2	21.4	50.0
2001	23,211,635	17.2	10.2	25.0	52.4
2002	24,086,150	20.0	17.2	8.5	45.7
2003	25,412,190	22.5	10.7	14.3	47.5

City of Jacksonville, North Carolina
Calculation of Debt Service Coverage
Water and Sewer Bonds
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30	(1) Gross Revenue	(2) Direct Operating Expenses	Net Revenue Available for Debt Service
1994	\$ 5,665,877 (3)	\$ 2,769,296	\$ 2,896,581
1995	5,930,526 (3)	2,755,467	3,175,059
1996	6,138,090 (3)	2,975,545	3,162,545
1997	5,903,656	3,738,808	2,164,848
1998	5,508,218	3,844,712	1,663,506
1999	8,849,380	4,235,756	4,613,624
2000	9,624,832	4,378,597	5,246,235
2001	10,221,561	3,955,304	6,266,257
2002	9,259,654	4,226,789	5,032,865
2003	9,319,317	4,680,679	4,638,638

Note:

- (1) Total revenues including interest, other nonoperating revenues, and capital contributions.
- (2) Total operating expenses exclusive of depreciation.
- (3) Net revenue available for debt service divided by total debt service requirements.

City of Jacksonville, North Carolina
Property Value, Construction and Bank Deposits
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30	(1) Construction			
	Nonresidential		Residential	
	Number of Units	Value	Number of Units	Value
1994	177	\$ 8,211,861	353	\$ 13,965,731
1995	174	24,139,559	333	12,240,013
1996	59	33,299,013	198	12,240,013
1997	45	13,373,540	270	16,929,318
1998	174	27,273,084	492	24,946,169
1999	32	31,153,008	356	18,077,939
2000	73	21,959,288	524	27,642,169
2001	15	13,189,489	508	26,379,026
2002	24	10,280,644	363	33,499,588
2003	29	31,096,600	275	29,479,842

Note:

- (1) Inspections Division, City of Jacksonville
- (2) Derived from the FDIC.
- (3) Provided by the Onslow County Tax Administrator/Collector.
- * Data for current fiscal year not presently available.

Table 13

Bonded Debt Service Requirements				(3)
	Principal	Interest	Total	Coverage
\$	225,000	\$ 59,436	\$ 284,436	10.18
	100,000	47,749	147,749	21.49
	100,000	35,858	135,858	23.28
	100,000	30,100	130,100	16.64
	100,000	24,600	124,600	13.35
	100,000	18,600	118,600	38.90
	100,000	12,400	112,400	46.67
	100,000	6,200	106,200	59.00
	0	0	0	0.00
	0	0	0	0.00

Table 14

(2) Bank Deposits	(3) Property Value
452,504,000	\$ 1,047,936,772
469,720,000	1,077,238,907
462,873,000	1,090,162,899
499,301,000	1,145,480,504
523,629,000	1,230,983,592
530,674,000	1,269,513,869
562,861,000	1,321,653,059
585,289,000	1,688,126,557
611,000,000	1,763,526,288
*	1,790,011,277

City of Jacksonville, North Carolina
Schedule of Ten Largest Taxpayers
June 30, 2003
(Unaudited)

Table 15

Company	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Crown America Acquisition LP	Commercial Real Estate	\$ 30,202,025	1.69 %
Jones-Onslow EMC	Public Utility	18,582,792	1.04
Carolina Telephone & Telegraph	Public Utility	16,854,568	0.94
Jacksonville Commons LLC	Developer	14,277,414	0.80
Wal-Mart Real Estate Business Trust	Real Estate	13,435,037	0.75
United Dominion Realty Trust	Property Mgt./Real Estate	12,119,503	0.68
Cross Pointe Developers	Developer	11,665,299	0.65
Carolina Power & Light	Public Utility	10,913,344	0.61
Lowe's Investment Corporation	Real Estate	10,582,981	0.59
Western Boulevard Associates LLC	Property Management	8,504,048	0.48
		\$ 147,137,011	8.23 %

Source: Onslow County Tax Administrator/Collector

**City of Jacksonville, North Carolina
Schedule of Insurance in Force
June 30, 2003
(Unaudited)**

Table 16

Type of Coverage	Details of Coverage	Agency	Expiration Date	Annual Premium
Health Insurance		City of Jacksonville and J. Smith Lanier Administrators**	06/30/04	\$343.68 per month per employee
Life Insurance	1 ½ x salary for all employees' coverage (Max. \$50,000)	Medical Life	06/30/04	\$.112 per \$1,000
Public Officials Liability	\$3,000,000 annual aggregate \$10,000 deductible-Public Officials	IRFFNC	07/01/04	*
Law Enforcement Liability	\$3,000,000 aggregate \$2,000,000 each occurrence/person \$10,000 deductible-Law Enforcement	IRFFNC	07/01/04	*
General Liability with Broad Form Endorsement	\$2,000,000 each occurrence \$5,000 deductible	IRFFNC	07/01/04	*
Auto Liability	\$2,000,000 each occurrence \$2,500 deductible	IRFFNC	07/01/04	*
Auto-Comp & Collision	As scheduled \$1,000 deductible for large vehicles, \$500 deductible for autos/pickups	IRFFNC	07/01/04	*
Impounded Auto Collision	\$100,000 coverage \$1,000 deductible deductible for large vehicles,\$500 deductible for autos/pickups	IRFFNC	07/01/04	*
Impounded Auto Comprehensive	\$100,000 coverage \$1,000 deductible for large vehicles, \$500 deductible for auto/pickups	IRFFNC	07/01/04	*
Property - Blanket Coverage	\$48,556,456 cause of loss-special \$2,500 deductible	IRFFNC	07/01/04	*
Municipal Equipment	\$1,308,605 special coverage \$5,000 deductible	IRFFNC	07/01/04	*
Boiler and machinery	\$5,000,000 maximum \$2,500 deductible	IRFFNC	07/01/04	*
Builders Risk	\$66,000 special \$2,500 deductible	IRFFNC	07/01/04	*
Public Employee bonds	\$300,000 scheduled no deductible \$100,000 blanket \$250 deductible	IRFFNC	07/01/04	*
Computer Equipment and Media	\$1,200,000 reported value \$1,000 deductible	IRFFNC	07/01/04	*
Workers' Compensation	\$25,000 deductible per individual per incident	NCIRMA	07/01/04	*

* The Interlocal Risk Financing Fund of North Carolina (IRFFNC) and the North Carolina Interlocal Risk Management Agency (NCIRMA) are "pooled insurance plans" created by the North Carolina League of Municipalities. Membership is restricted to North Carolina Municipalities and premiums are determined annually on a fiscal year basis. The City's premium for coverage provided under IRFFNC was \$344,066 for the fiscal year ended June 30, 2004, and \$319,181 for NCIRMA.

** J. Smith Lanier Administrators provides contracted third-party claims administration.

City of Jacksonville, North Carolina
Miscellaneous Statistics
June 30, 2003
(Unaudited)

Table 17

Population	68,357
Date of incorporation	Original - December 13, 1842 Reincorporated - January 27, 1849
Form of government	Council/Manager
Area	43.19 square miles
Miles of streets	166.37
Miles of sidewalks	31.57
Number of street lights	2,234
Fire Protection	
Number of stations	4
Number of firefighters and officers	70
Police Protection	
Number of stations	1
Number of police officers	106
Water and Sewer Department	
Number of utility accounts	14,085
Average daily consumption - water	3.9 mgd
Average daily flow - sewer	5.2 mgd
Miles of distribution lines - water	204.5
Miles of distribution lines - sewer	201.8
Number of fire hydrants	1,857
Parks and Recreation	
Number of major parks	20
Number of athletic fields	20
Number of recreation centers	8
Total parks and recreation area	265 acres
Employees	
Full time	430
Part time and Seasonal	154

COMPLIANCE SECTION

The Compliance Section contains various schedules and Auditor opinions reflecting Federal, State and Local matching participation in various projects and programs of the City. The Single Audit Amendments Act of 1996 established audit requirements for State and Local governments that receive Federal assistance. The audit requirements were established to insure that audits are conducted on an organization wide basis, rather than on a grant-by-grant basis.

McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Jacksonville, North Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Jacksonville, North Carolina, as of and for the year ended June 30, 2003, which collectively comprise City of Jacksonville's basic financial statements, and have issued our report thereon dated August 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Jacksonville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Jacksonville's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of the City Council, management, federal and State awarding agencies, pass-through entities and the North Carolina Department of the State Treasurer and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

New Bern, North Carolina
August 29, 2003

McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Honorable Mayor and
Members of the City Council
City of Jacksonville, North Carolina

Compliance

We have audited the compliance of City of Jacksonville, North Carolina, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to its major federal program for the year ended June 30, 2003. City of Jacksonville's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of City of Jacksonville's management. Our responsibility is to express an opinion on City of Jacksonville's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Jacksonville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Jacksonville's compliance with those requirements.

In our opinion, City of Jacksonville complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of City of Jacksonville is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Jacksonville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of the City Council, management, federal awarding agencies, pass-through entities and the North Carolina Department of the State Treasurer and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

New Bern, North Carolina
August 29, 2003

McGladrey & Pullen

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH APPLICABLE SECTIONS OF OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Honorable Mayor and
Members of the City Council
City of Jacksonville, North Carolina

Compliance

We have audited the compliance of City of Jacksonville, North Carolina, with the types of compliance requirements described in the Audit Manual for Governmental Auditors in North Carolina, issued by the Local Government Commission, that are applicable to its major State program for the year ended June 30, 2003. City of Jacksonville's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program is the responsibility of City of Jacksonville's management. Our responsibility is to express an opinion on City of Jacksonville's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; applicable sections of OMB Circular A-133 as described in the Audit Manual for Governmental Auditors in North Carolina, and the State Single Audit Implementation Act. Those standards, applicable sections of OMB Circular A-133, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about City of Jacksonville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Jacksonville's compliance with those requirements.

In our opinion, City of Jacksonville complied, in all material respects, with the requirements referred to above that are applicable to its major State program for the year ended June 30, 2003.

Internal Control Over Compliance

The management of City of Jacksonville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to State programs. In planning and performing our audit, we considered City of Jacksonville's internal control over compliance with the requirements that could have a direct and material effect on a major State program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with applicable sections of OMB Circular A-133 and the State Single Audit Implementation Act.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major State program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the members of the City Council, management, State awarding agencies, pass-through entities and the North Carolina Department of the State Treasurer and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

New Bern, North Carolina
August 29, 2003

CITY OF JACKSONVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2003

Section 1. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted

_____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

_____ yes X no

CITY OF JACKSONVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2003

Identification of major federal program:

CFDA #	Program Name
14.218	Community Development Entitlement

Dollar threshold used to distinguish
between Type A and Type B Programs

\$ 300,000

Auditee qualified as low-risk auditee?

 X yes no

State Awards

Internal control over major State program:

- Material weakness(es) identified?

 yes X no

- Reportable condition(s) identified
that are not considered to be
material weaknesses?

 yes X none reported

Type of auditor's report issued on compliance for major State programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with the State Single
Audit Implementation Act?

 yes X no

Identification of major State programs:

NC Object #	Program Name
N/A	Nonstate System Street-Aid Allocation (Powell Bill)

CITY OF JACKSONVILLE, NORTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2003

Section 2. Financial Statement Findings

None

Section 3. Federal Award Findings and Questioned Costs

None

Section 4. State Award Findings and Questioned Costs

None

CITY OF JACKSONVILLE, NORTH CAROLINA

**CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2003**

Section 2. Financial Statement Findings

No corrective action plan is required in the current year.

Section 3. Federal Award Findings and Questioned Costs

No corrective action plan is required in the current year.

Section 4. State Award Findings and Questioned Costs

No corrective action plan is required in the current year.

CITY OF JACKSONVILLE, NORTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2003

There are no prior audit findings (as that term is defined in OMB Circular A-133) that require reporting in this schedule.

CITY OF JACKSONVILLE, NORTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Fiscal Year Ended June 30, 2003

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass-Through or Grantor's Number	Expenditures		
			Federal Direct and Pass-Through	State	Local
FEDERAL AWARDS					
US Department of Housing & Urban Development					
Direct Program:					
Community Development Entitlement	14.218	B-99MC370014	\$ 1,165,391	-	-
Disaster Recovery Initiative	14.228	B-98MU370014	209,351	-	-
Pass through: NC Housing Finance Agency					
Affordable Home Ownership	14.239	HM0001	126,180	-	21,227
Total US Department & Housing & Urban Development			1,500,922	-	21,227
US Department of Justice					
Direct Programs:					
Local Law Enforcement Block Grant	16.592	2001-LBBX3758	42,563	-	24,340
COPS Modified Universal Hiring Grant	16.710	98-UMWX1557	8,030	-	16,769
Bulletproof Vest Partnership Grant	16.607		42,925	-	42,925
Pass through: Onslow County Board of Education					
School Resource Officer	16.594		174,412	-	78,923
Total US Department of Justice			267,930	-	162,957
US Department of Transportation					
Pass through: NC Department of Transportation					
104-F Transportation Grant	20.205		95,665	-	23,916
Transportation Enhancement Grant	20.205		193,253	-	88,408
Total US Department of Transportation			288,918	-	112,324
Federal Emergency Management Agency					
Direct Program					
Assistance to Firefighters Grant	83.554		11,462	3,821	1,695
Pass through: NC Department of Crime Control and Public Safety					
Hazard Mitigation	83.548		27,159	8,704	-
			38,621	12,525	1,695

CITY OF JACKSONVILLE, NORTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (Continued)
For the Fiscal Year Ended June 30, 2003**

Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	State Pass-Through or Grantor's Number	Expenditures		
			Federal Direct and Pass-Through	State	Local
FEDERAL AWARDS (Continued)					
US Department of Interior					
Pass through: NC Department of Environment and Natural Resources					
Pass through: Division of Parks and Recreation					
Land and Water Conservation Fund	15.916		20,355	-	20,355
STATE GRANTS (all direct):					
NC Department of Transportation					
Nonstate System Street Aid Allocation		N/A	-	1,620,654	-
State Maintenance Assistance Program		N/A	-	50,000	53,012
Section 5305 Grant		N/A	-	22,500	2,500
Total NC Department of Transportation			-	1,693,154	55,512
NC Department of Environment and Natural Resources					
Division of General Services					
Clean Water Management Trust Fund		N/A	\$ -	\$ 94,932	\$ 36,782
Division of Purchases and Services					
Wetlands Restoration Project		N/A	-	24,002	-
Total NC Department of Environment and Natural Resources			-	118,934	36,782
Total federal expenditures			\$ 2,116,746		
Total State expenditures				\$ 1,824,613	
Total local expenditures					\$ 410,852
Outstanding loan balances at June 30, 2003					
Revolving Loan Fund CFDA# 66.458 (Note 2)			\$ 8,149,779	\$ 8,935,711	

CITY OF JACKSONVILLE, NORTH CAROLINA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Fiscal Year Ended June 30, 2003**

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of City of Jacksonville, North Carolina and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Outstanding Loans

Outstanding loans presented are included for information purposes only. Loan proceeds have been spent in prior years and there are no continuing requirements beyond repayment of the loan balances in accordance with loan agreement provisions.